UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK

CSX CORPORATION,

Plaintiff,

v.

THE CHILDREN'S INVESTMENT FUND MANAGEMENT (UK) LLP, THE CHILDREN'S INVESTMENT FUND MANAGEMENT (CAYMAN) LTD., THE CHILDREN'S INVESTMENT MASTER FUND, 3G CAPITAL PARTNERS LTD., 3G CAPITAL PARTNERS, L.P., 3G FUND, L.P., CHRISTOPHER HOHN, SNEHAL AMIN AND ALEXANDRE BEHRING, A/K/A ALEXANDRE BEHRING COSTA,

Defendants.

THE CHILDREN'S INVESTMENT MASTER FUND,

Counterclaim and Third-Party Plaintiff,

v.

CSX CORPORATION AND MICHAEL WARD,

Counterclaim and Third-Party Defendants.

3G CAPITAL PARTNERS LTD., 3G CAPITAL PARTNERS, L.P. AND 3G FUND, L.P.,

Counterclaim Plaintiffs,

v.

CSX CORPORATION AND MICHAEL WARD,

Counterclaim Defendants.

ECF Case

08 Civ. 02764 (LAK) (KNF)

DECLARATION OF MICHAEL E. SWARTZ

MICHAEL E. SWARTZ, an attorney duly admitted to practice before this Court, hereby affirms the following to be true under penalties of perjury:

1. I am a member of the Bar of the State of New York and a partner with the firm of Schulte Roth & Zabel LLP, counsel to The Children's Investment Fund Management (UK) LLP, The Children's Investment Fund Management (Cayman) Ltd., The Children's Investment Master Fund (together, "TCI"), Christopher Hohn, and Snehal Amin. I submit this declaration in support of Defendant's Post-Trial Reply Brief the above captioned matter.

2. Attached hereto as Exhibit 1 is a true and correct copy of *CSX White Paper*, *available at* http://www.strongercsx.com/whitepaper_051208.pdf.

3. Attached hereto as Exhibit 2 is a true and correct copy of Alastair McCall, *Sharing Their Good Fortune; Rich List 2008,* The Sunday Times UK, April 27, 2008.

4. Attached hereto as Exhibit 3 is a true and correct copy of John D. Bowen, *What Does The Children's Investment Fund Really Want?,* Railway Age, November 1, 2007.

5. Attached hereto as Exhibit 4 is a true and correct copy of Paul Glader, *Mittal Steel Offers $3.2 Billion for Remainder of Arcelor Brasil,* Wall Street Journal, October 26, 2006.

6. Attached hereto as Exhibit 5 is a true and correct copy of a chart titled "Issues Raised By Treating Hedged Shares as Beneficially Owned."

7. Attached hereto as Exhibit 6 is a true and correct copy of TCI and 3G Daily Trading Comparison by Month.

____/S/ Michael E. Swartz_____ _

Michael E. Swartz

Dated: New York, New York
May 29, 2008

THE CHILDREN'S INVESTMENT FUND

3G Capital

CSX: The Case for Change

The Children's Investment Fund Management (UK) LLP ("TCI") &
3G Capital Partners, Ltd. ("3G")

April 2008

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ALL STOCKHOLDERS OF THE ISSUER ARE ADVISED TO READ THE DEFINITIVE PROXY STATEMENT AND OTHER DOCUMENTS RELATED TO THE SOLICITATION OF PROXIES BY THE PARTICIPANTS FROM THE STOCKHOLDERS OF THE ISSUER FOR USE AT THE 2008 ANNUAL MEETING OF STOCKHOLDERS OF THE ISSUER WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION. WHEN COMPLETED, THE DEFINITIVE PROXY STATEMENT AND FORM OF PROXY WILL BE MAILED TO STOCKHOLDERS OF THE ISSUER AND WILL, ALONG WITH OTHER RELEVANT DOCUMENTS, BE AVAILABLE AT NO CHARGE ON THE SEC'S WEB SITE AT HTTP://WWW.SEC.GOV. IN ADDITION, THE PARTICIPANTS IN THE PROXY SOLICITATION WILL PROVIDE COPIES OF THE DEFINITIVE PROXY STATEMENT WITHOUT CHARGE UPON REQUEST. INFORMATION RELATING TO THE PARTICIPANTS IS CONTAINED IN THE DEFINITIVE SCHEDULE 14A FILED BY THE PARTICIPANTS WITH THE SEC ON APRIL 28, 2008.

"There will always be skeptics. We hear their voices whenever we try to do something that has never been done before in railroading"

Paul Tellier, former CEO of Canadian National, 2000

Source: 2000 Canadian National Annual Report

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Executive Summary

Electing our minority slate of nominees is in the best long-term interests of CSX shareholders

- ✓ Over 50 years of railroad experience → know the business in order to ask the right questions
- ✓ Strong, proven business leaders → willing to challenge management
- ✓ Own over $2bn of CSX shares → 'owners' not 'renters'

The question shouldn't be "where has CSX come from?" but rather "where should CSX be?"

- ➢ Nothing structural to keep CSX from being best railroad in America
- ➢ We believe CSX's earnings power is *double* its current EBIT
- ➢ Performance has improved, but largely because of a 'rising tide (pricing) lifting all boats'

We believe the incumbent Board is entrenched, and has not served shareholders well

- ✗ Independent directors have <u>no railroad operating experience</u>, and an average tenure of ~10 years
- ✗ <u>Highest compensated</u> management and directors in industry, despite industry <u>lagging performance</u>
- ✗ <u>Alleged Impropriety</u> – "spring-loading", violations of Insider Trading Policy, abuse of The Greenbrier

Shareholder pressure has already resulted in some positive changes, a testament to its merits

The Choice

Our Nominees

Chris Hohn
Managing Partner of TCI

Alex Behring
Managing Director of 3G & former CEO of ALL railroad
(~10 years of railroad experience)

Gil Lamphere
Former director Canadian National and Illinois Central
(~20 years of railroad experience)

Tim O'Toole
MD of London Underground & former CEO of Conrail
(~25 years of railroad experience)

Gary Wilson
Former Chairman Northwest Airlines, director/CFO Disney
(~20 years of transport experience)

Our nominees will refresh the Board…

…and also bring:

more railroad experience

more business experience

and the perspectives of large and engaged shareholders

Incumbent Directors To Replace

Elizabeth Bailey
Business School professor
(18 years on CSX Board)

Steven Halverson
Jacksonville design contractor
(1 year on CSX Board)

Robert Kunisch
Ex-Vice Chairman Cendant
(17 years on CSX Board)

William Richardson
Ex-CEO Kellogg Foundation, a charitable foundation
(15 years on CSX Board)

Frank Royal
Physician
(14 years on CSX Board)

Our Vision For CSX

(1) Source: TCI letter to CSX Board, October 16, 2007

Key Questions We Are Asking

Corporate Governance	❑ Is this Board capable of holding management accountable? ❑ Is this Board working for shareholders or for management?
Productivity Opportunity	❑ Why does CSX lag peers on nearly every operational metric? ❑ Why does CSX have barely half the profitability of Canadian National? ❑ Why doesn't management have public targets to improve operations?
Pricing Discount	❑ Is there a smarter way to price? ❑ Why does CSX price at a deep discount to competitor Norfolk Southern?
Capital Allocation & Structure	❑ Is the capital expenditure budget economically justifiable? ❑ How can we be comfortable that management will be disciplined? ❑ What is the right capital structure for a business as strong as CSX?

The Children's Investment Fund Management UK LLP ("TCI")

- London based investment firm with $15bn+ AUM
- Owner oriented approach to investing
  - → long-term, fundamental, value-focused
  - → conviction based on deep fundamental research
- Multi-year locked up capital
- Have fought for *shareholders* to have a voice…
  - Deutsche Börse → sought *shareholder vote*
  - ABN Amro → sought *shareholder vote*
  - Arcelor/Mittal → sought *shareholder decision*
- Vast majority of TCI's profits have gone to a non-profit organization focused on improving the lives of children living in poverty in developing countries

We invest with the mindset of being owners of businesses, not owners of shares

When necessary, we have acted to give all shareholders, not just TCI, a voice…

…with the aim of protecting or enhancing value for all shareholders

How TCI Formed Its View

- Met top management of all major NA railroads[1]
- Retained advisors to assist understanding
  - Five industry consultants (pricing, ops, capex)
  - Two DC law firms (legislation/regulation)
  - DC lobbying firm (legislation/regulation)
- Numerous discussions with key stakeholders
  - Dozens of shippers and shipper reps
  - Leaders of largest unions (UTU & BLET)
  - Surface Transportation Board (regulators)
  - Federal Railroad Administration (regulators)
  - Legislators
- Talked with investment banks & rating agencies

TCI professionals have devoted years, literally, to understanding CSX and the railroad industry

The result is deep understanding and high conviction in our thesis, as a result…

US railroads are the largest investment in our fund

(1) Burlington Northern, CSX, Union Pacific, Norfolk Southern, Canadian Pacific, Canadian National

3G Capital Partners, Ltd ("3G")

- New York based investment firm
- Focus on global equities and special situations
- Leverage deep industry knowledge and operating experience to identify attractive long-duration investments
- **Managing Director Alex Behring served as CEO of Latin America's largest railroad, America Latina Logistica (ALL) for 7 years**
  - 6,500 employees, 13,000 miles of track, $7.9 billion market capitalization[1]
  - Alex continues to serve on the Management Committee of ALL's Board

Alex Behring is a unique combination of large shareholder and experienced railroad executive

Alex transformed ALL into one of the most productive, safest and technologically advanced railroads in the world[2]:

EBITDA margins 6% → 41%

Accident rate down 89%

Installed onboard computers

Voted one of best companies to work for in Latin America

ALL market cap now >40x the original acquisition price

(1) Source: Bloomberg as of April 25, 2008
(2) Source: ALL Annual reports and company presentations from 2006 and 2007, TCI and 3G ("Group") analysis, and discussions with management

Corporate Governance

Management are operators,

Boards are trustees,

Shareholders are owners

Corporate Governance

Is the Board capable of holding management accountable?

Incumbent Board

- ***No railroad operating experience*** (excluding CEO)
  - *Philanthropist*
  - *Doctor*
  - *Business School Professor*
  - *Jacksonville Contractor*
- Chairman is CEO and President
- Average director tenure of ~10 years
- 5 directors have served longer than 14 years
- Total CSX stock ownership of 14bp

Our Nominees

- Directly relevant industry experience (incl. ***50+ years of railroad experience***)
  - *Former Director Canadian National & Former Chairman Illinois Central*
  - *Former CEO Conrail*
  - *Former CEO ALL (Brazil)*
  - *Former Chairman Northwest Airlines, former CFO Disney & Marriot*
- 2 shareholder representatives
- Total CSX stock ownership of 8.7%
- ***Not compensated to serve as nominees***

Source: Group analysis, CSX 2008 DEF14A. Average Board Tenure excluding Michael Ward. Total CSX Stock Ownership excludes Michael Ward

Corporate Governance

Our Nominees

Chris Hohn

- Founder/Managing Partner of TCI
- Long track record of successful fundamental investing
- Vocal advocate for strong corporate governance globally
- TCI owns over 4% of CSX's shares
- MBA (high distinction), Harvard

Alex Behring

- Managing Director of 3G
- Unique combination of large CSX shareholder and railroad executive
- Highly successful former CEO of Latin America's largest independent railroad company (ALL)
- 3G owns over 4% of CSX's shares
- MBA (high distinction), Harvard
- Locomotive Engineer

Gil Lamphere

- Long track record as successful railroad investor / board member
- Former Chairman/Director at three of the most efficient railroads in North America (including CN)
- Worked closely with industry leading CEO Hunter Harrison (CN)
- Highly knowledgeable about best practices in railroad operations
- MBA (high distinction), Harvard

Tim O'Toole

- CEO of the London Underground
- Spent 20 years at Conrail (now part of CSX)
- Delivered record results as CEO of Conrail and the London Underground
- First hand knowledge of CSX's assets
- JD, Pittsburgh

Gary Wilson

- Former Executive/Board Member at Northwest (Chairman), Disney, Marriott
- Track record in creating substantial shareholder value and leading transitions
- Former investor/director, Progress Rail
- MBA, Wharton

Corporate Governance
Existing Board

Donna Alvarado
Founder & President of Aguila International
Former Deputy Assistant Secretary of Defense
Director: Correction Corp of America, Ohio Board of Regents
Age 59; 1 year on CSX Board

John Breaux
Partner, Breaux-Lott Leadership Group
Former US Senator (Louisiana) 1986-2005
Director: LHC Group, Riverstone Holdings
Age 64; 3 years on CSX Board

Edward Kelly III
President of Citi Alternative Investments
Former MD at Carlyle Group, Vice-Chairman of PNC Financial Services Group
Former Chairman President and CEO of Merchant Bankshares Corporation
Age 54; 5 years on CSX Board

Donald Shepard
Chairman and CEO of AEGON
Director: PNC Financial Services Group
Age 61; 5 years on CSX Board

David Ratcliffe
Chairman, President and CEO of Southern Company
Former President and CEO of Georgia Power Company
Former Chairman Federal Reserve Bank of Atlanta
Age 59; 5 years on CSX Board

Southwood Morcott (not standing for re-election in 2008)
Former Chairman and CEO of Dana Corporation
Director: Johnson Controls, Navistar International Corporation
Age 70; 17 years on CSX Board

Michael Ward
Chairman, President and CEO of CSX Corp
Director: Ashland Inc
Age 57; 5 years on CSX Board

DIRECTORS WE RECOMMEND TO VOTE AGAINST (avg tenure 13 years)

Elizabeth Bailey
Professor at Wharton School, University of Pennsylvania
Director: Altria Group, Teachers Insurance And Annuity Association
Age 69; 18 years on CSX Board

Robert Kunisch
Special Partner and Senior Advisor, ABS Capital Partners
Former Vice-Chairman of Cendant Corporation
Former Chairman, President and CEO of PHH Corporation
Age 66; 17 years on CSX Board

William Richardson
Former President and CEO of Kellogg Foundation
Former President Johns Hopkins University
Director: Bank of New York, Exelon
Age 67; 15 years on CSX Board

Frank Royal MD
Physician in private practice, health care expert
Director: Dominion Resources, Smithfield Foods, Sun Trust Bank
Age 68; 14 years on CSX Board

Steven Halverson
CEO of The Haskell Company
Director : ACIG Insurance Company, Construction Industry Roundtable
Age 54; 1 year on CSX Board

Source: CSX 2008 DEF14A

Corporate Governance

Is the Board working for shareholders or for management and themselves?

- Marketed CSX as a "public service company" in DC
- Denied shareholders right to elect directors at special meetings
- Terminated discussions with TCI to settle amicably
- Lobbied for SEC registration of hedge funds
- Overstated returns by using ROIC (instead of replacement cost)
- Repeatedly reset record date and delayed annual meeting
- Filed baseless lawsuit against TCI and 3G
- Made false and misleading statements about TCI/3G and their intentions
- Refused to meet with TCI prior to announcement of proxy contest
- Permitted screening of attendees at company events (even if shareholder)

Entrenching Management

- Allegedly approved "spring loaded" grants, in violation of Insider Trading Policy
- Allegedly allowed abusive use of The Greenbrier[(1)]
- Changed compensation basis to Operating Ratio (easily manipulated)[(2)]
- Compensated management (and themselves) highest in industry
- Approved $95m golden parachute payment for senior management[(3)]

Enriching Management

(1) Civil Action No. 08-C-62, Paul Ratchford vs. CSX Corporation
(2) Source: CSX 2007 DEF14A
(3) Source: CSX 2008 DEF14A

Corporate Governance

Concern: shareholder pressure has been required to force positive change

	Pre-Shareholder Pressure	Now
SHARE BUYBACKS	$500 million over 1 year[1]	$3 billion over 2 years (6x) *(but now buying stock 30% more expensive and paying 2x spread over LIBOR as would have in Q1 07)*
SHAREHOLDER MEETINGS	No ability for shareholders to call special meeting	Ability for only certain shareholders, and only for limited purposes
BOARD RAILROAD EXPERIENCE	No directors with railroad experience (excluding CEO)	One CSX nominee with railroad experience
FINANCIAL TARGETS	Understate realistic potential	Raised ~20% (but still understate realistic potential)

Shareholder pressure is working, so why deny shareholders a voice?

(1) CSX Press Release, July 18, 2006

Corporate Governance

Concern: highest industry compensation for lagging industry performance

2007	CSX	NSC	BNI	UNP	CN
TOTAL EXECUTIVE COMPENSATION (top 5 executives)	**$38m**	$32m	$20m	$23m	$19m
AVERAGE NON-EXEC DIRECTOR COMPENSATION	**$343k**	$266k	$258k	$175k	$306k
TOTAL "GOLDEN PARACHUTE" PAYMENTS	$95m	**$99m**	$73m	$73m	~$12m

CSX management made 62% more than their peers…

CSX directors made 34% more than their peers…

Despite CSX lagging peers on performance

Velocity	Dwell Time	Accident Rate	Labor/Sales	Cost Inflation	Cost / Unit Inflation
CN	CN	NSC	CN	NSC	CN
BNSF	NSC	CN	BNSF	CN	UP
UP	CSX	CSX	NSC	UP	NSC
NSC	BNSF	BNSF	UP	CSX	CSX
CSX	UP	UP	CSX	BNSF	BNSF

Source: Group analysis of 2008 Schedule 14A Filings for CSX, NSC, BNI, and UNP, Management Information Circular for CNI, and conversations with CNI management. For all companies, compensation is listed for actively serving named executive officers. Norfolk Southern excludes former executive Wolf

Corporate Governance

Concern: Board and management don't seem to have conviction in CSX value

Last Two Years Activity In CSX stock	Senior Management Team	Board
TOTAL GRANTS	$28.9m	$5.3m
TOTAL SALES	$(38.9)m	$(1.1)m
TOTAL OPEN MARKET PURCHASES	$0m	$0m
CHANGE IN NET EXPOSURE TO CSX	$(10.0)m	$4.2m

Senior management have been large sellers of CSX stock…

And neither senior management nor directors have bought a single CSX share out of their own pockets…

How can we be sure they understand the value and potential of CSX?

Source: Group Analysis of CSX 2008 DEF14A. Senior Management Team includes: Ward, Munoz, Gooden, Ingram and Fitzsimmons. "Grants" include "grant or award", "payment of director's fees and/or annual retainer pursuant to the CSX Corporation Stock Plan for Directors" and "dividend reinvestment and employer contributions". "Sales" include "exercise of common stock options" and "open market sale of common stock", "gift of common stock" and exclude "payment of tax liability by withholding securities incident to the receipt, exercise, or vesting of a security"

Corporate Governance

Concern: Board not interested in allowing shareholders a voice without ties

TCI/3G Concessions	CSX Position
❑ Conceded on number of board seats	❑ Was unwilling to ever articulate a full list of concerns
❑ Offered to work with CSX Board to find mutually agreeable directors	❑ Demanded TCI/3G sign a multi-year standstill
❑ Suggested leaving contentious issue of separating Chairman/CEO roles to a shareholder vote	❑ Wanted a commitment to maintaining joint Chairman/CEO role
❑ Offered to sign a one-year standstill *(unprecedented for TCI)*	❑ Abruptly terminated discussions

In the end was it more important to CSX directors to protect Michael Ward as Chairman and CEO, and tie our hands for years, than to come to an amicable solution…?

CSX terminated discussions

Corporate Governance

Concern: "spring-loading" and violations of Insider Trading Policy

Major Allegations against Board and Michael Ward

- ***Setting "spring-loaded" grants for CSX executives***
  - Set grants while in possession of material non-public information, in violation of Insider Trading Policy and bylaws
    - *May 1, 2007 – Set millions of dollars of LTIP performance grants to CSX Executives and Directors*
    - *May 8, 2007 – Announce 50% increase in buyback and higher guidance. Stock price 7.4% higher than on May 1*
  - In contrast, in 2006, the company set its LTIP grants immediately following the public release of material information
- ***Issuing stock grants to Directors during the blackout period (December 2007)***

Publicly available information suggests that the Board violated Insider Trading Policy, Corporate Governance guidelines, and the CSX bylaws…

…for the benefit of themselves and senior management

Source: Counterclaims and Third-Party Claims of The Children's Investment Master Fund, CSX Corp. v. The Children's Investment Fund (UK) LLP, et al., No. 08 Civ. 2764 (LAK) (KNF) (S.D.N.Y. Apr. 4, 2008)

Corporate Governance

Concern: disingenuous attempt at special meeting bylaw

Shareholders vote for ability to call special meetings (passed 2:1), May 07

May 07 – Jan 08 : Board takes no action

A shareholder (RAM Trust) proposes a similar resolution for the 2008 Annual Meeting, Jan 08

CSX goes to SEC to try to avoid putting RAM's resolution on its proxy. Says it will amend bylaws in a way which "substantially implements the [RAM] proposal"

CSX amends bylaws (Feb 08), but:

(i) special meetings cannot be called to elect or remove directors

(ii) requesting shareholder must own stock on record date AND meeting date

(iii) Requesting shareholder must be 'shareholder of record' (vs. beneficial owner as is typical)

SEC *denies* CSX's request, Mar 08. SEC "unable to concur in [CSX's] view"

"At first glance, the bylaw would appear to be positive for shareholders....A closer reading, however, casts doubt on the bylaw's impact." (ISS, February 2008)

Why is the Board unwilling to give shareholders what they voted for?

Corporate Governance

Concern: filing baseless lawsuit to manipulate shareholder vote

Real Rationale Behind CSX's Baseless Lawsuit?

- Did CSX use this lawsuit as an excuse to reset the record date? Waited until after the initial record date had passed, had time to evaluate likelihood of its success, then filed lawsuit and reset record date…
- CSX could have made the same allegations months (or even a year) ago...

Would CSX have delayed the shareholder meeting to June if it was going to win in May?

CSX's Major Allegations	The Truth
TCI/3G have an agreement with swap counterparties to vote stock (if any) hedging swaps	There is no agreement to vote stock (if any) hedging the swaps
TCI/3G formed a group much earlier than disclosed	TCI and 3G formed a group in December, as disclosed, and are not working with any other shareholders
TCI/3G are seeking control of CSX	TCI and 3G are not seeking control. Proposing only a minority slate, and if successful only 2 directors on a Board of 12 will be from TCI/3G

Corporate Governance

Concern: harassment and intimidation of workers

In March 2008 the Federal Railroad Administration published "CSX Transportation Harassment and Intimidation Investigation":

- The investigation followed an August 2006 joint letter from the two largest rail unions (UTU and BLET) concerning their "outrage that CSXT was engaged in targeted selective stalking, and harassment and intimidation of its train and engine service employees who had reported on-duty injuries"
- FRA conducted an extensive, one year investigation
- FRA concluded "that certain CSXT officers had created an atmosphere or culture that tends to have a ***chilling effect*** on employee injury/illness reporting"
- FRA recommended 30 civil penalties against CSXT

The FRA investigation and our discussions with union leaders confirm a culture of intimidation at CSX

Roughly 50% of all intimidation cases reported to the UTU are from CSX workers, despite them being less than 25% of UTU membership

This is not acceptable...

Source: "CSX Transportation Harassment and Intimidation Investigation" March 2008, Federal Railroad Administration. TCI discussions with UTU

Corporate Governance

Concern: alleged abusive use of the The Greenbrier

The former Greenbrier President has alleged widespread abuse of the resort by executives and Board members, who treat it as their own private country club. Allegations include:

- Unaccounted for use, "comped" use, and unpaid tabs
- Executives charge under-market rent to Greenbrier clinic for "free" medical examinations
- Benefits not properly accounted for as compensation, to avoid tax

Is this why management insists on keeping The Greenbrier?

Is this why it is losing money? (apparently $15m loss annually)

Is this why CSX just spent $50m to renovate it?

Is this investment economically justifiable?

If so, why wasn't it openly disclosed to shareholders?

Source: Civil Action No. 08-C-62, Paul Ratchford vs. CSX Corporation

Corporate Governance

Our concerns are shared…

"As time goes on, I get more and more convinced that the right method in investment is to put fairly large sums into enterprises which one thinks one knows something about and in the management of which one thoroughly believes."

Warren Buffett (1991)

Mr. Buffett invested in every one of the large four US railroads…

except CSX

Corporate Responsibility Officer Magazine just named three of the top four US railroads to a list of the nation's 100 Best Corporate Citizens…

except CSX

"We've little doubt the railroad CEO's dictate and control the agenda for the Boards."

Rick Paterson, UBS Research (2008)

Source: Large four US railroads refers to the four largest Class I US railroads: Norfolk Southern, CSX, Burlington Northern Santa Fe, Union Pacific. An example of Warren Buffet's investment philosophy: 'As time goes on, I get more and more convinced that the right method in investment is to put fairly large sums into enterprises which one thinks one knows something about and in the management of which one thoroughly believes." *1991 Letter to Berkshire Hathaway shareholders, quoting John Maynard Keynes.* www.theCRO.com. Rick Patterson, UBS Research, 6 March 2008

The Truth About Performance

"If what you did yesterday seems big, you haven't done anything today"

Lou Holtz

Source: http://www.louholtzhalloffame.com/ Holtz is the only coach in NCAA history to lead six different programs to bowl games and the only coach to guide four different programs to final top 20 rankings. He is also a multiple winner of Coach of the Year honors

The Truth About Performance

The Simple Truth – CSX is a laggard on key operational metrics

Best ↑ … ↓ Worst

Velocity	Dwell Time	Accident Rate	Labor/Sales	Cost Inflation	Cost / Unit Inflation
CN	CN	NSC	CN	NSC	CN
BNSF	NSC	CN	BNSF	CN	UP
UP	CSX	CSX	NSC	UP	NSC
NSC	BNSF	BNSF	UP	CSX	CSX
CSX	UP	UP	CSX	BNSF	BNSF

➔ **Difference not due to geography: one of each network type is often better than CSX**

Source: Velocity and Dwell figures are the annual average of the weekly data reported by the AAR for 2007. Accident rate defined as accidents per million train miles. Accident Rate for CN per 2007 Full Year Report. Accident Rate for CSX, NSC, BNSF, and UP per FRA data for the 12 months ended December 31, 2007. Labor / Sales, Cost Inflation, and Cost Inflation / Unit all per company 2007 Full Year Reports. Labor / Sales is the ratio of labor expense divided by total revenues for full year 2007. Cost inflation is total operating expense (excluding fuel) growth from 2006 to 2007. Cost inflation per unit is the growth of total operating expenses (excluding fuel) divided by total carloads from 2006 to 2007

The Truth About Performance

Customer surveys confirm poor performance relative to peers

- **Independent**, third-party customer surveys done **this year** paint a worrying picture…

Morgan Stanley Research

Q. Delivery When Expected?

	Sep 07	Apr 08
Best	NSC	NSC
	BN	BN
	CN	UP
	CSX	CSX
Worst	UP	CN

Credit Suisse Research

% Of Shippers Rating Service "Fair" or "Poor"

Best	NSC	8%
	BN	18%
	UP	36%
	CN	37%
Worst	CSX	54%

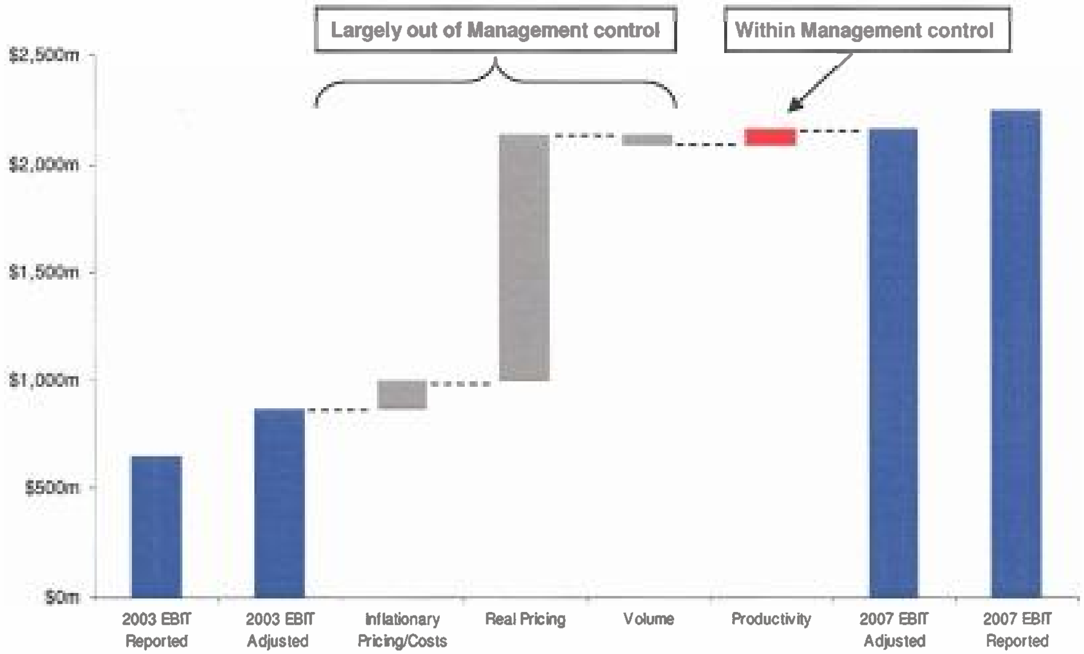
CSX's internal surveys show improvement, but service is still among the industry's worst

Source: Morgan Stanley Research April 18, 2008. Credit Suisse Research April 14,2008. Morgan Stanley survey was actually cited by the Norfolk Southern CEO on NSC Q1 call, April 23, 2008

The Truth About Performance

Has the business improved? Yes…but largely not the result of management

Evolution of CSX Adjusted EBIT 2003-2007



Sources of EBIT Growth

Inflationary Pricing / Costs	10%
Real Pricing	**88%**
Productivity	6%
Volume	-4%
TOTAL	**100%**

Nearly 90% of EBIT improvement is from pricing…

Source: Group analysis of 2003 and 2007 Quarterly Financial Reports. Inflationary Pricing/Costs assumes annual growth of 3.5% of Revenue Per Unit and Cost per Unit. 3.5% is the industry's cost inflation CAGR (03-07) as measured by the AAR's ALL-LF Index (costs excluding fuel). Productivity refers to actual CSX Cost per Unit performance (excluding Fuel). Volume refers to total volume declines between 2003 and 2007. Real Pricing refers to actual CSX Revenue per Unit performance (with associated fuel cost increase). Sources of EBIT Growth based on Adjusted EBIT for 2003 and 2007. For Adjusted EBIT reconciliation see Slide 77. Michael Ward was appointed CEO of CSX in January 2003, current management team all together from early 2004

The Truth About Performance

Industry stock prices performance confirms 'rising tide lifting all boats'

Railroad	Annualized Total Return (2004-2007)
Burlington Northern	28.4%
CSX	26.5%
Union Pacific	25.0%
Canadian National	23.8%
Norfolk Southern	22.6%
Railroad Average	**25.3%**
S&P	**9.2%**

"Railroad Industry Renaissance"

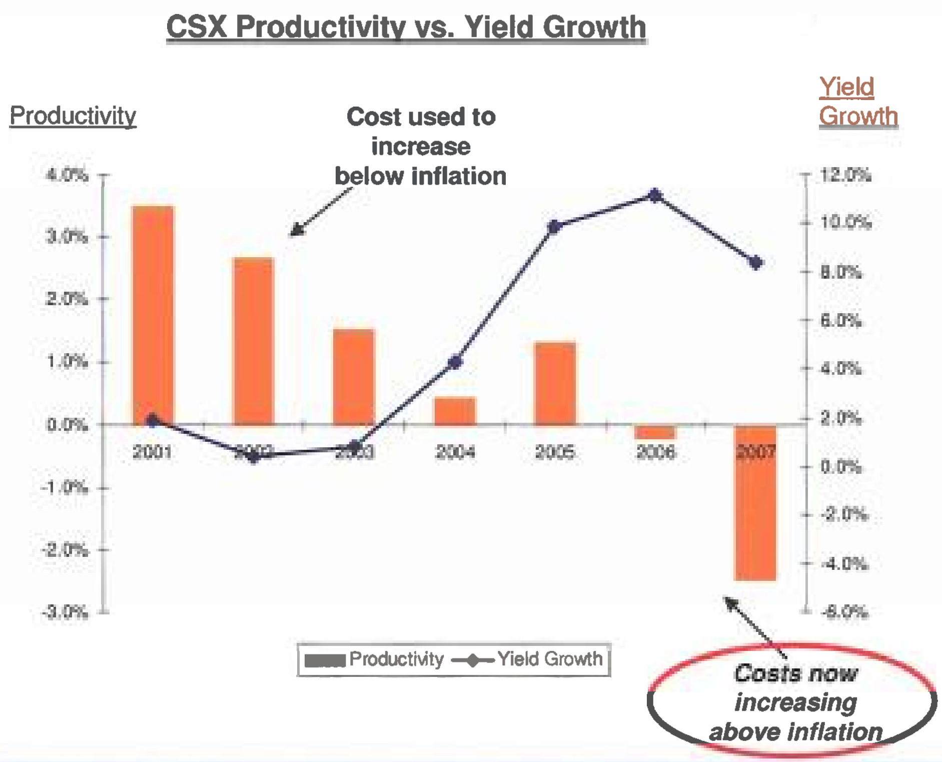
- ✓ Railroad capacity constraints → better pricing
- ✓ Higher fuel prices benefit rail over truck
- ✓ Increasing highway congestion
- ✓ Resurgence of coal and agricultural volumes
- ✓ Growth of intermodal

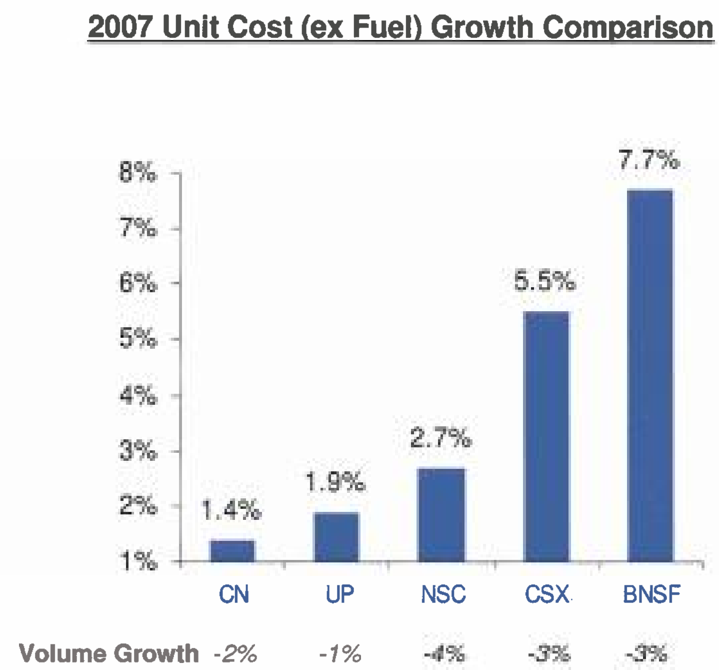
Industry-wide factors, not CSX management, have largely driven stock performance

Source: Bloomberg Total Return Analysis, 31st December 2003 through 31st December 2007. Michael Ward was appointed CEO of CSX in January 2003, current management team all together from early 2004

The Truth About Performance

Productivity, which is under management's control, seems to have stalled





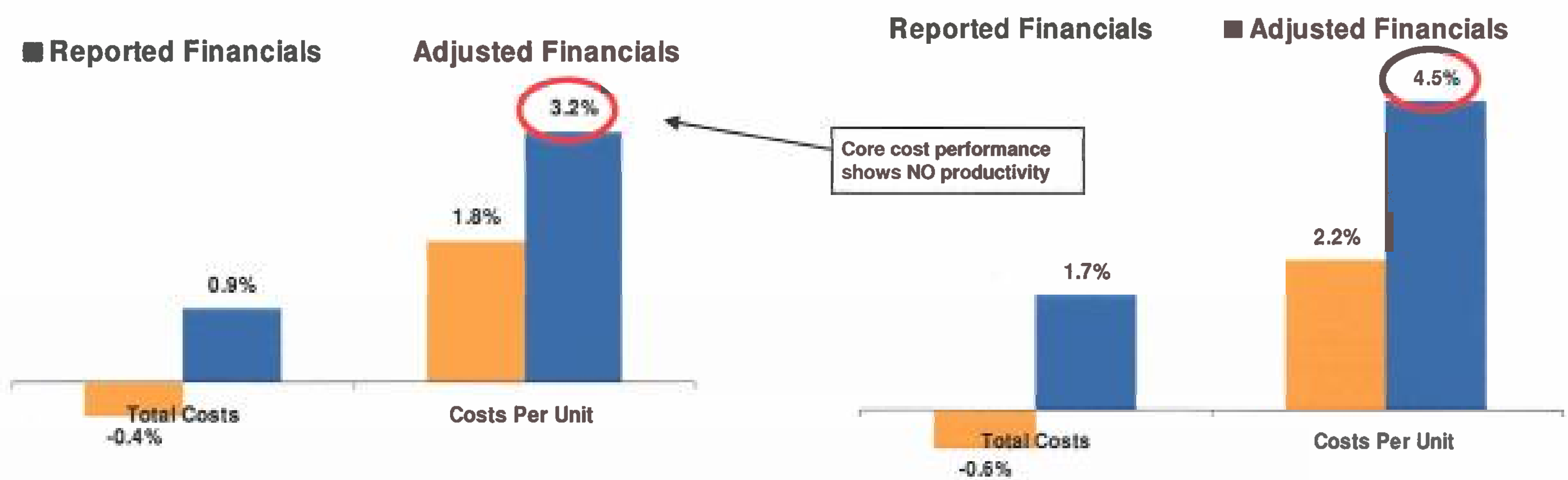
Productivity has been declining at CSX, especially after the company began raising prices. In fact, in 2007, CSX had the second worst cost control in the industry.

Source: Group analysis. CSX and Company Annual Reports and Q4 Financial report. "Productivity" defined as assumed Cost Inflation of 3% less Adjusted Actual Unit Cost (ex-fuel) Growth. 3% is the industry's cost inflation CAGR (00-07) as measured by the AAR's ALL-LF Index (costs excluding fuel). Unit cost defined as total operating expenses (excluding fuel) per carload. For reconciliation of adjusted numbers used in analysis see slide 78

The Truth About Performance

Recent performance flattered by non-recurrings, it's not as good as it looks…

Q1 2008 Non-Fuel Cost Growth | **Q4 2007 Non-Fuel Cost Growth**



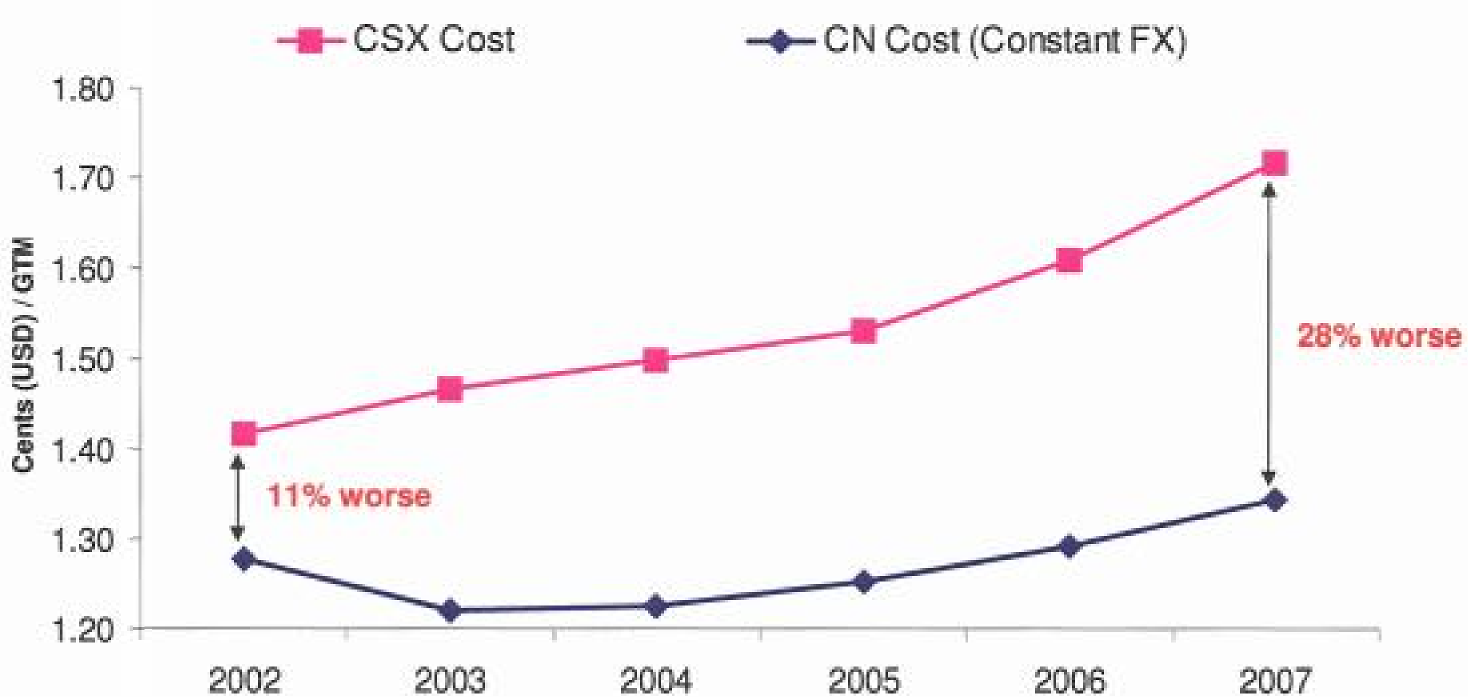
- Q1 2008 performance flattered by $38m of "one-off" serious derailment expenses in Q1 2007
- Q4 2007 performance flattered by $56m positive change in personal injury reserves

Adjusting for one-off items illustrates CSX's continued inability to realize productivity

Source: Group analysis. CSX Q4 2007 and Q1 2008 Quarterly Financial Reports and Presentations. For reconciliation of Reported Financials to Adjusted Financials see slide 79

The Truth About Performance

And the gap to industry leader, Canadian National, is actually widening



In 2002 CSX's costs/GTM were 11% higher than CN. In 2007 the gap widened to 28%

Source: Group analysis. CSX and Canadian National Annual Reports and Q4 2007 Financial Report. For CSX adjusted cost reconciliation see Slide 78

The Productivity Opportunity

"Perhaps the most ingrained barrier is human nature, the tendency to stick with the familiar and the comfortable, to keep doing things the way we've always done them"

Hunter Harrison, CEO of Canadian National (on the barriers to change)

Source: *How We Work and Why* by Hunter Harrison (2005)

The Productivity Opportunity

Productivity can offset cost inflation and accommodate free growth

The Potential

- We believe that over the next decade CSX can achieve, as a result of productivity improvement:
  - Zero cost inflation
  - 1% volume growth per year *(without growth capex)*
- Implications
  - $2.2bn run-rate EBIT improvement[1]
  - $100m annual saving in capex
- No structural reason CSX cannot be most productive railroad in America
- Canadian National is the model

The Present

- Current situation (2007):
  - Costs increasing > inflation
  - $700+ million in growth capex
  - While volumes declining
- **No long-term productivity targets**
- Excuses for why CSX cannot be most productive railroad in America

Note: Costs refer to operating expenses excluding fuel and depreciation expenses
(1) Run-rate refers to incremental annual EBIT contribution as a result of productivity gains. We believe improvements can be captured within five years, although presented here over 10 years

The Productivity Opportunity

Summary of potential benefits

Issue	Benefit ($mm)	Potential Actionable Opportunities
Emulating CN's Revolution. Becoming a *Scheduled Precision Railroad*	1,800	❑ Dramatically improve yard operations, consolidate freight, and optimize scheduling ❑ Increase velocity 3mph (12%), reduce handlings per carload by ~1.5 (44%), reduce dwell by 5 hours (22%), increase train length (23%), and decrease loading time (25%)
Locomotive Maintenance Expense	100	❑ Eliminate inefficient maintenance outsourcing agreement with General Electric (GE) ❑ Implement more disciplined maintenance processes
Fuel Consumption	130	❑ Monitor engineer decisions with tools CSX already has but does not use ❑ Reduce number of yards and incentivize/manage yard workers to improve execution and discipline
Labor Productivity		❑ Optimize scheduling to increase labor productivity ❑ Reduce the time employees are paid for hours not worked
Total annual benefit	2,200	

Source: Group analysis. Percentages in parenthesis reflect the percentage change of each metric. See slide 50 and 51 for more detail. While we believe the assumptions and productivity benefits stated herein are reasonable, actual improvements may be materially different than assumed

The Productivity Opportunity

Realizing even part of the opportunity is hugely valuable

		% of Productivity Benefits Achieved			
	2007	**25%**	**50%**	**75%**	**100%**
Op. Income	$2,224m	2,774	3,324	3,874	4,424
Increase		*25%*	*49%*	*74%*	*99%*
EPS	$2.70	$3.50	$4.30	$5.11	$5.91
Increase		*30%*	*59%*	*89%*	*119%*

Source: Group analysis and CSX Fourth Quarter Quarterly Financial Report 2007. While we believe the assumptions and productivity benefits stated herein are reasonable, actual improvements may be materially different than assumed

The Productivity Opportunity

Management guidance implies no improvement in productivity

- Management's 2010 margin target ("low 70s") can be achieved **by pricing alone**
  - **Implies management has no plan to improve productivity**
  - Implies no volume growth
  - Implies 0% return on the $2 billion of growth capex in budget(1)

	2007	2008	2009	2010
Revenue	10.0	10.6	11.2	11.7
price growth		*6.0%*	*5.0%*	*5.0%*
volume growth		*0%*	*0%*	*0%*
Operating expenses	(7.8)	(8.0)	(8.3)	(8.5)
growth		*3.0%*	*3.0%*	*3.0%*
Core operating income	2.2	2.6	2.9	3.2
operating ratio	***78%***	***76%***	***74%***	***73%***

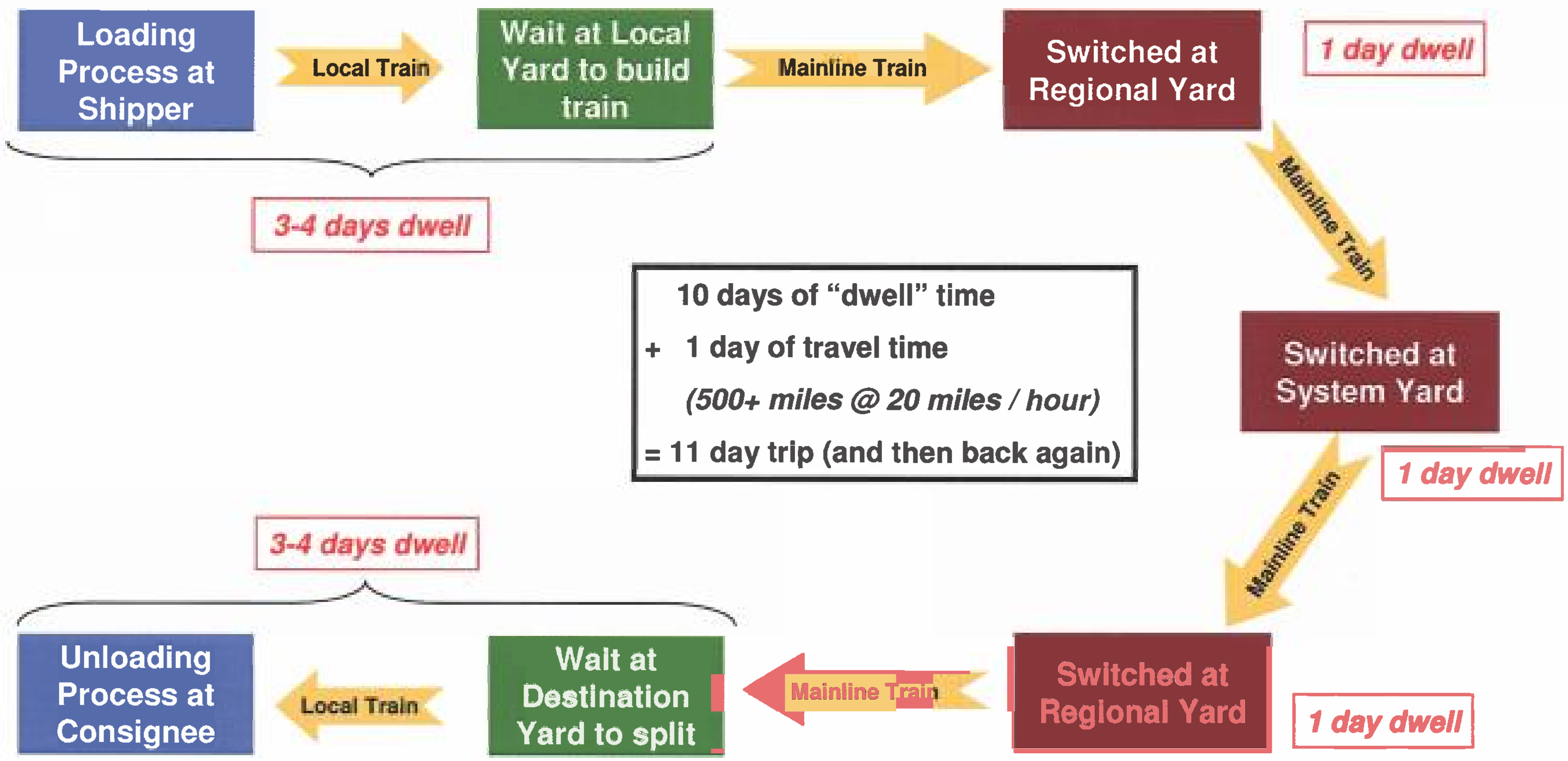
Management target of low 70s

If management doesn't target to improve operations, how can we know it will?

Source: Group analysis, CSX 10K. 2008 price growth based on management guidance of 6%+. Cost inflation of 3% in line with AAR All-LF Cost index for since 2000. (1) CSX's announced capex plan contains $1.6bn of expansion capex through 2010 – we assume current maintenance capex of c.$1 billion

The Productivity Opportunity

Focus on dwell, as cars move only 10% of the time in a typical shipment



The Productivity Opportunity

Why is Canadian National a good model?

- Canadian National ("CN") is the best-in-class railroad
  - Most profitable and most productive railroad in America (margins 60% higher than CSX)
  - CN went from "worst" to "first" in industry profitability. It can be done, despite skeptics…

    "CN? It's going to be very difficult for them to compete. Look at them. Miles and miles of inefficient track. Operating ratio of 85 – sure, they were in the high nineties three years ago, but the leaders south of the border are at 78 and improving. They're a railroad. How can they catch up? They can't".[1]
- What is our view based on?
  - The expertise of our nominees (50+ years of railroad experience)
    - Gil Lamphere has 15 years of experience with Hunter Harrison, CEO of CN
  - Numerous discussions with current and former Canadian National management
  - Discussions with former CSX executives (senior and mid-level)
  - Studies conducted by several consultants retained by TCI and 3G

We see a tremendous opportunity to learn from the best-in-class railroad

(1) Canadian National Annual Report 2000 referring to a view of Canadian National in 1996

The Productivity Opportunity

The arguments against using CN as the model are often one-sided

CN's Perceived Advantages

- ✓ CN has a simple "T" network, CSX is complex
  - ✓ *CSX's complex network is really a few simple networks as well*
- ✓ CN benefits from nationalized healthcare
  - ✓ *Payroll taxes, FELA and healthcare differences are worth ~2-3% on the operating ratio*
- ✓ CN has flatter grades/terrain
- ✓ CN inherited a gold plated network from the government
  - ✓ *It's been 12 years since CN privatization. CSX says its network is well-maintained*
- ✓ CN has longer length of hauls
  - ✓ *~600 miles vs. 540 miles for CSX*

Rarely Mentioned Disadvantages

- ✗ Canadian weather is much harsher
  - ✗ *Effectively reduces capacity by 10%+ for two months of the year*
- ✗ CN has less highly-efficient unit train business
  - ✗ *Coal/Grain represent only 18% of CN's volume vs. 32% at CSX*
- ✗ CN has a less favorable regulatory environment
  - ✗ *Interswitching, Final Offer Arbitration, Grain rates semi-regulated*
- ✗ CN has a much less dense network
  - ✗ *CSX's network is 27% more dense than CN, making it easier to leverage fixed costs*
- ✗ CN has an older and less powerful fleet of locomotives

Source: AAR Analysis of Class I Railroads 2006, conversations with CSX and CN management, conversations with independent industry consultants, Group analysis of CN Q4 Release and CSX Q4 Financial Report

The Productivity Opportunity

We believe Hunter Harrison…

Michael Ward on CN vs. CSX	Hunter Harrison, CEO of CN
✘ "People who really understand the industry would not draw direct comparisons between an American railroad and a Canadian Railroad"	✓ The CN railroading model will work anywhere
✘ "They do not run through many urban centers"	✓ There are no overall structural differences that give Canada an advantage over the US
✘ "It's a very streamlined railroad, it's sort of a "T" if you will"	✓ Infrastructure is similar across all railroads, CN just manages the network and terminals differently
✘ "Very different health and welfare system"	✓ No reason you can't take any of the Class I's to something close to CN's level
✘ "A lot of their business is grain and coal"	✓ In 1998, there was cultural resistance…today, all of CN understands how to support the precision scheduled railroad model
✘ "We're really talking about apples and oranges"	

Source: Michael Ward testimony in Congress, March 5 2008. Hunter Harrison comments from meetings with investors, February 27, 2008

The Productivity Opportunity

What is the Canadian National model?

- Optimize railroad → better service → better value for customer → customers help optimize
- Precision Scheduled Railroading
  - Every railcar has a trip plan
  - “Every aspect of train operations…exists to keep each railcar shipment moving”[1]
  - Strict, and optimized, scheduling allows for crew and yard optimization
    - Less dwell time
    - Crews able to switch “half-way” with another crew, so both crews arrive home at night
    - Brings optimal amount of cars and power to the right yards
- Smart Yards – Computer program that helps yards work more like assembly plants
- Use price to influence customer behavior
  - Auction pricing system used to balance traffic across days of week
  - Charges and penalties used to reduce railcars being used as inventory storage
- “Precision Railroading model permeates the entire company and creates a system of continuous improvement”[1]

(1) Canadian National Fact Sheet. Other source: discussions with CN management

The Productivity Opportunity

CSX's metrics are generally worse than CN's were ***pre-revolution***

	CN 1998	CN Improvement	CN Today	CSX Today	CN Advantage vs. CSX
Carloads (000s) / Hump and Major Flat Yard (1)	NA		206	66	212%
Gross Ton Miles (bn) / Horse Power (mm) (2)	41	33%	55	33	67%
Miles / Car / Day (3)	104	28%	133	95	40%
Velocity (MPH) (4)	21	12%	24	21	14%
Cars / Train (5)	67	23%	82	60	37%
Handlings / Car (6)	>3	44%	<2	>3	>50%
Dwell (Hours) (7)	26	31%	18	23	22%
Hours / Load/Unload (8)	96	25%	72	96	25%

Source: Group Analysis. (1) Hump and major flat yards per and as defined by independent industry consultant. Carloads per 2007 year end report for CN and 2007 10K for CSX; excludes coal and intermodal carloads. (2) Group analysis of 2007 year end reports for CN and CSX, 1999 year end report for CN, and independent industry consultant's analysis of data from *The Official 1998 Edition Locomotives Rosters & News* and *The Official 2008 Edition Locomotives Rosters & News* written by James W. Kerr. (3) Group analysis of AAR reports (cars on line, CSX length of haul), Company reports (carloads) and discussions with company management (CN length of haul). Ratios calculated based on Group Analysis of data. CN 1998 figures estimated from CN 1999 data. (4) CN and CSX "Today" Velocity figures are the annual average of the weekly data reported by the AAR for 2007; CN 1998 Velocity is estimated by applying the rate of improvement from CN US Velocity (per R1 report) from 1998 to 2006 to the 2007 CN AAR reported Velocity (due to lack of CN company wide data from 1998). (5) Data for entire CN is not available. CN 1998 data is pro forma for merger of Illinois Central and Grand Trunk Corporation per 1998 R1 Reports. CN and CSX "Today" data per 2006 R1 reports for CSX and Grand Trunk Corporation. (6) CSX Handlings per industry consultant research and CN per 1998 Annual Report and discussions with company management. (7) CSX "Today" Dwell figures are the annual average of the weekly data reported by the AAR for 2007. CN 1998 data per 1999 Annual report and "Today" per discussions with management and company presentations. CN reported AAR weekly Dwell data not comparable to CSX data. (8) Hours / Load/Unload for CN per discussions with company management and for CSX per independent industry consultant

The Productivity Opportunity

How much capacity could CSX theoretically create by emulating CN's revolution?

	CSX Today	Improve to CN[(1)]	CSX Potential
Velocity	21	12%	24
Dwell	23	22%	18
Handlings / Car	>3	44%	<2
Hrs / Load/Unload	96	25%	72
Cars / Train	60	23%	74

36% more carload capacity and 19% more total capacity can generate incremental EBIT of $1.8 billion over time

CSX Illustrative Carload Cycle Analysis	Current	% of *Cycle*	Improved	% of *Cycle*
Average Round Trip (miles)	1,080		1,080	
Velocity (miles/hour)	21		24	
Hours in Transit	*51*	*13%*	*45*	*18%*
Average Handlings / Haul	3.3		1.8	
Avg. Handlings / Cycle	6.6		3.6	
Dwell / Stop (Hours)	23		18	
Total Dwell at Stops (Hrs)	152		65	
Hours per Load/Unload	96		72	
Load/Unload Hours / Cycle	192		144	
Total Idle Hours	*344*	*87%*	*209*	*82%*
Total Trip Hours	*395*		*254*	
Time Saved			141	
% Cycle Reduction / % Capacity Created			**36%**	

CSX Incremental EBIT Potential	
Capacity Creation through Cycle Time Reduction	*36%*
Current Carload Revenue	$4.9bn
Incremental Revenue	$1.8bn
Capacity Creation through More Cars per Train	*19%*
Current Total Revenue	$10.0bn
Incremental Revenue	$1.9bn
Total Incremental Revenue	$3.7bn
Incremental Margin	50%
Incremental EBIT	**$1.8bn**

Source: Group analysis. Velocity, Dwell, Handlings, Hours / Load/Unload, and Cars / Train as per previous footnote. Average Haul per Analysis of Class I Railroads 2006, AAR. (1) Improve to the worse of absolute CN level today or level reached at CN percentage improvement

The Productivity Opportunity

Although only indicative, our analysis ties closely with what happened at CN

CN Estimated Capacity Created Through Productivity

CN Illustrative Carload Cycle Analysis	1998	% of Cycle	2007	% of Cycle
Average Round Trip (miles)	1,200		1,200	
Velocity (miles/hour)	21		24	
Hours in Transit	*57*	*14%*	*50*	*19%*
Average Handlings / Haul	3.2		1.8	
Avg. Handlings / Cycle	6.4		3.6	
Dwell / Stop (Hours)	26		18	
Total Dwell at Stops (Hrs)	166		65	
Hours per Load/Unload	96		72	
Load/Unload Hours / Cycle	192		144	
Total Idle Hours	*358*	*86%*	*209*	*81%*
Total Trip Hours	*416*		*259*	
Time Saved			157	
% Cycle Reduction or % Capacity Created			**38%**	

CN Estimated Incremental EBIT From Growth Capex

(CAD in millions)

	1998 - 2007
Total Capex	10,968
Maintenance	8,246
Growth	2,722
Estimated Pre-Tax Return on Capex	14%
EBIT Benefit (following year)	313
EBIT Benefit adjusted for inflation	336
Total EBIT Benefit from Growth Capex 1998-2007	**336**

CN Backtest Analysis

(CAD in millions)

Capacity Creation through Cycle Time Reduction	38%
Inflation Adjusted '98 Carload Revenue	3,352
Implied Incremental Revenue	1,264
Capacity Creation through More Cars per Train	18%
Inflation Adjusted '98 Total Revenue	6,139
Implied Incremental Revenue	1,123
Total Incremental Revenue	**2,387**
Incremental Margin	**50%**
Incremental EBIT - Capacity Creation	1,194
Incremental EBIT - Growth Capex	336
Total Incremental EBIT	**1,530**

Our analysis would predict CN should have generated incremental EBIT of $1.5bn, which ties closely to actual incremental EBIT of $1.6bn

	1998 *Reported*	2007 *Reported*
Revenue	5,137	7,897
EBIT	1,281	2,876
% OR	75%	64%
Actual EBIT Growth		**1,595**

Source: Group Analysis. CN Average haul per discussion with company management. Velocity, dwell, and handling per previous footnote. Capital expenditures per CN Annual Reports and maintenance level per discussions with company management. Estimated pre-tax return on capex and incremental margin based on group analysis. Revenue and EBIT data per Annual Reports

The Productivity Opportunity

Further opportunities – Locomotives

CSX outspends Norfolk Southern on locomotives by almost any measure…

Despite similar fleet size, age, power and similar operating environment

	NS	CSX	% Diff
Locomotive Opex / HP	24	33	+37%
Locomotive Opex ($k) / Locomotive	82	116	+41%
Locomotive Opex ($k) / GTM (Bn)	737	827	+12%
Locomotive Opex ($mm)	309	424	+37%
Age of Fleet (Yrs)	18	19	
[redacted]	3,367	3,475	

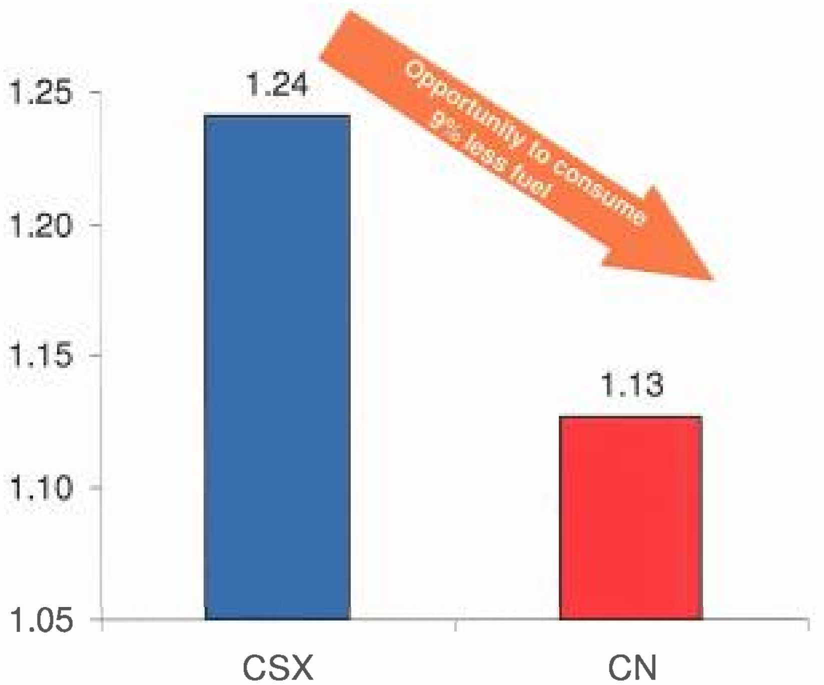
- Is this because CSX has a locomotive maintenance outsourcing agreement with General Electric (GE) on all GE manufactured engines?
  - This outsourcing agreement results in parallel locomotive shops throughout the network – a GE shop employing CSX labor and a CSX shop, also employing CSX labor, resulting in duplicative locomotive shops at many CSX yards?
- Is this because CSX has too many leased units which are typically more expensive to maintain (8% of units leased vs NSC at 3%)?
  - CSX's reduction of leased units from 13% to 8% of the fleet over the past three years suggests this is true

A 25% reduction to CSX locomotive operating expense would save CSX $100 million

Source: 2006 R1 Reports for CSX and NS, Group analysis, and independent industry consultant. Locomotive opex excludes lease and depreciation expenses to increase comparability

The Productivity Opportunity
Further opportunities – Fuel

Gallons of Fuel (mm) / GTM (bn)



Why does CSX consume more fuel per GTM than CN, despite CSX having a younger locomotive fleet?

A 9% reduction in Fuel / GTM consumption would save CSX over $130 million

Potential is even greater…ALL in Brazil, under Alex Behring's leadership, implemented on-board computers which helped <u>reduce fuel consumption by over 20%</u>

Source: 2007 Q4 Reports for CSX and CN. Savings based on CSX Q407 average price of fuel

The Productivity Opportunity

Further opportunities – Labor Productivity

	CSX	NSC
% of Hours Paid but Not Worked	23%	12%
Transportation Wage	$1,046m	
Savings @ 12%	**$150m**	

Crews are paid for 8 hour shifts (regardless of whether they work for 8 hours or not). Trips not completing as planned and bad scheduling will lead to under-utilization of train crews

23% of the hours CSX pays for do not actually get worked (vs. 12% at Norfolk Southern)

Is CSX using its workers to the best of their ability?

Does CSX have a sub-optimal schedule?

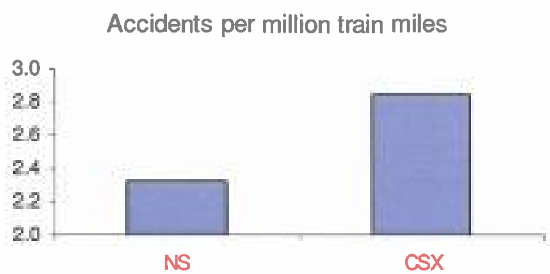
Does NS maintain a more disciplined operation?

Does NS organize to have train crews finish shifts by doing yard work?

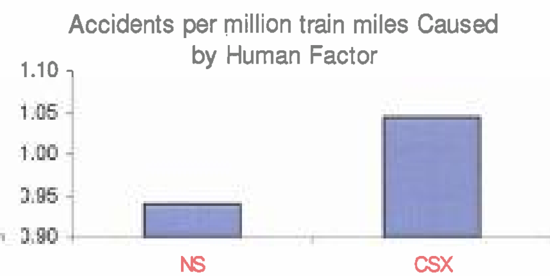
If CSX improved to NSC's level, the company would save $150 million

Source: Independent consultant, 2006 R1 Reports for CSX and NSC, AAR and STB reports

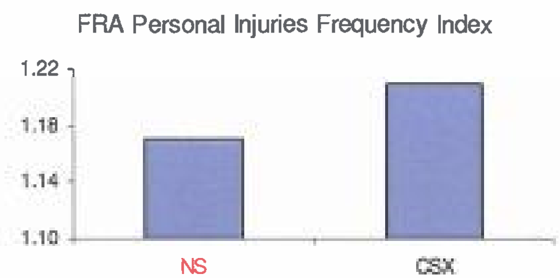
The Productivity Opportunity
Further opportunities – Safety (unquantifiable)



22% Worse



11% Worse



3% Worse

- Accident rates are an important indicator of network performance
- There are numerous costs to accidents
  - Employees – takes lives, hurts morale, reduces labor availability
  - Communities – takes lives and disrupts widely
  - Shippers – worsens service, damages goods, hinders business
  - Railroad – increases costs, reduces capacity, and heightens regulatory/government scrutiny

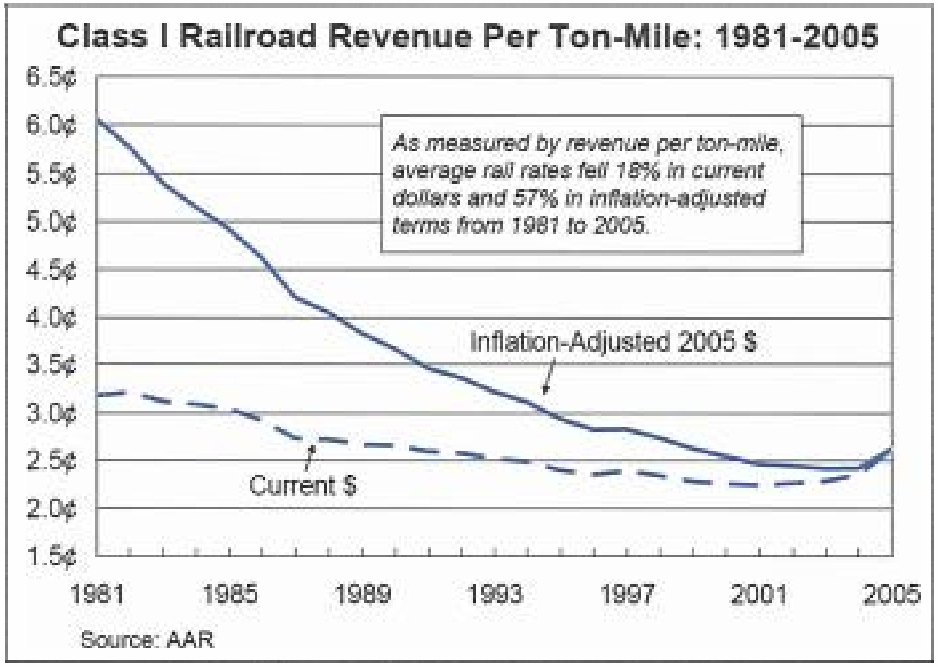
"With proper attention to a good safety culture, the safety record will follow." Joseph Boardman

"Safety is great for business" – Joseph Boardman, Administrator of FRA

Source: Group analysis. FRA Reports. Written Testimony before House Transportation and Infrastructure Hearings, March 5, 2008

Pricing Discount

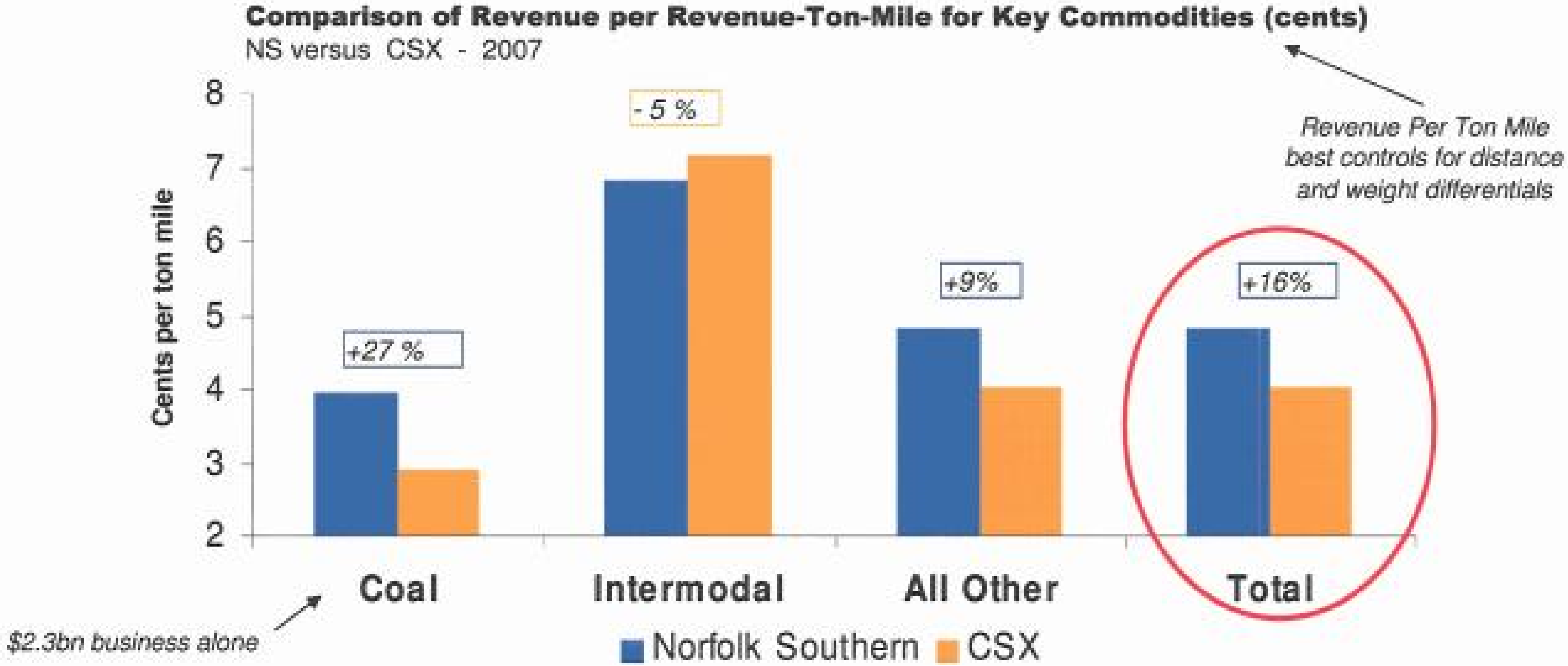
A picture is worth a thousand words. . .



Pricing Discount
Is there a smarter way to price?

- US railroad pricing models haven't really changed since deregulation
- What can we learn from other models?
  - **Airline yield management** – uses price to 'balance' demand across times of day, days of week and weeks of year. It is our understanding that CSX does not do this
  - **CN pricing system (Intermodal)** – allocates a fixed number of loading slots per day and then allows shippers to bid on slots. Successfully balanced traffic across days
- Balancing demand results in increased throughput and more profitable traffic without simply raising prices to shippers. A win-win situation for CSX and its shippers
- Gary Wilson (former Chairman of Northwest Airlines) and Gil Lamphere (former Canadian National Board Director) are uniquely positioned to bring 'best practice' in pricing to CSX

Pricing Discount
Why does CSX price at a deep discount to Norfolk Southern?



In 2007, CSX on average priced 16% below NSC on a revenue base of $10 billion
Service, haul, mix and competition may be factors but gap needs to be addressed

Source: Group analysis of CSX and Norfolk Southern Q4 Financial Reports

Capital Allocation And Structure

"Over time, the skill with which a company's managers allocate capital has an enormous impact on the enterprise's value."

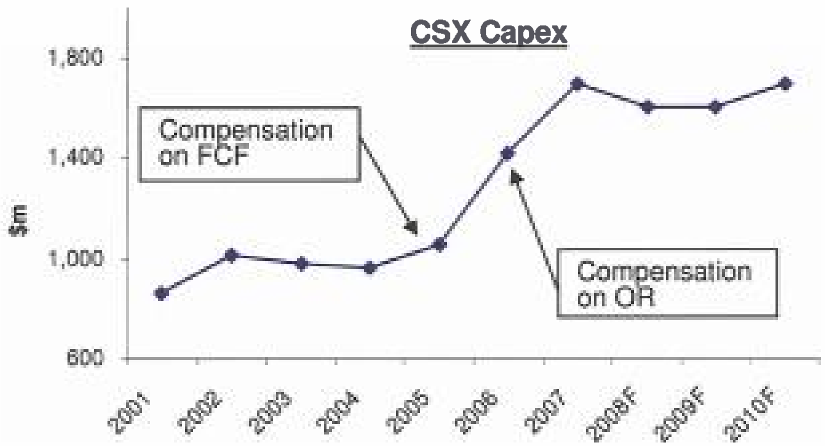
Warren Buffet

Source: Berkshire Hathaway Letter To Shareholders, 1994

Capital Allocation And Structure

How can we be comfortable management will be disciplined?

- Until early 2006, CSX management were compensated on Free Cash Flow
- But now, long term compensation is based largely on the operating ratio (OR)
  - How does this incentivize management to be capital disciplined?
- **Capex has increased by over 50% since this change to the compensation scheme**
- We believe the OR can be manipulated (e.g. re-classifying opex as capex)



"The most important management act is allocation of the company's capital. It ranks first because, over time, allocation of capital determines shareholder value."
Robert Hagstrom, The Essential Buffet

Source: Group analysis. CSX 2007 DEF14A, 10-Ks and Quarterly Financial Reports

Capital Allocation And Structure

How can we be comfortable management will be disciplined?

We note a stark contrast between comments by other railroad CEOs and those by Michael Ward

"Increased investment in additional capacity cannot always be economically justified if it becomes questionable whether a company can meet its cost of capital on an ongoing basis." ***Wick Moorman, CEO of Norfolk Southern***

"As a private company, BNSF will only invest in added capacity to the extent we believe we can earn an adequate return on those investments." ***Matt Rose, CEO of Burlington Northern***

"The owners of the Union Pacific (our shareholders) have a fiduciary responsibility to ensure that management will operate the Company in a profitable manner and make prudent decisions regarding future capital investments." ***Jim Young, CEO of Union Pacific***

"Have you heard the joke about the farmer who won the lottery? Friends came to him and said, Oh my God, you've won the lottery, what are you going to do with all that money? He said, I am a farmer, and I love farming and I am going to keep farming **until every penny of it is gone.** Railroaders are like that too."

"**We are not concerned about what Congress may do**…We intend to continue to invest in our business."

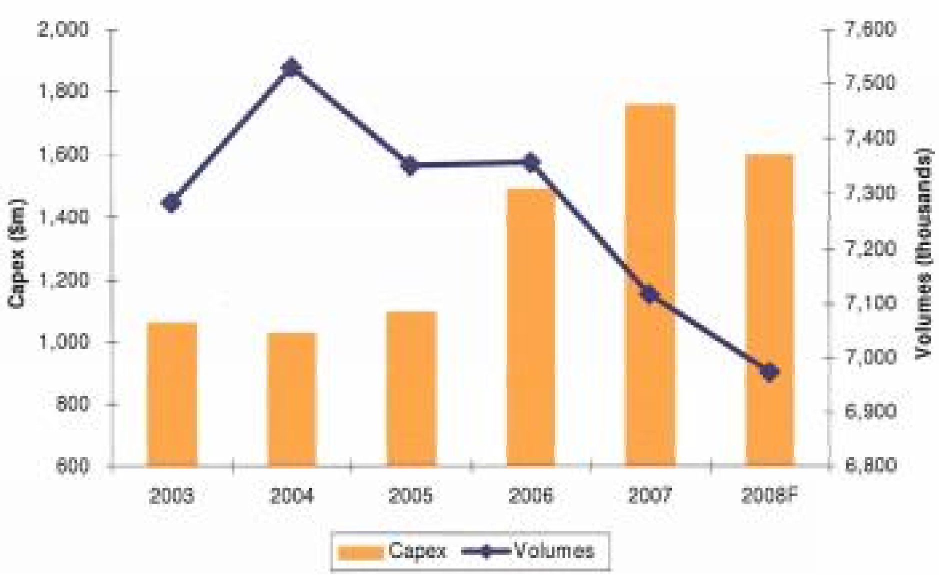
Michael Ward, CEO of CSX

Source: Michael Ward Interview with Bloomberg's Rhonda Schaffler on September 2007 and testimony in Congress, March 5 2008. Other CEO comments taken from letters to the STB, Fall 2007

Capital Allocation And Structure

Is the capital expenditure budget economically justifiable?

Volumes Declining, and yet Capex Increasing



- Management has consistently over-estimated volume growth[1]
- Volumes are now at the same level as they were in 2001 and yet capex is **almost double**
- In spite of this, CSX's capex plan seems to provide for **16% capacity expansion by 2010**[2]
- **Is this level of growth realistic?**
- Management has denied there is further deferred maintenance capex to us

Source: Group analysis of CSX 10K Reports and Q4 Financial Reports
(1) See next slide for backup. (2) CSX's announced capex plan contains $1.6bn of expansion capex thru 2010. We assume $100m creates 1% of volume growth as per CSX 2005 Investor Day where company said $1.2bn in annual capex would accommodate volume growth of 2-3% (assumes maintenance capex of c.$1 billion)

Capital Allocation And Structure

CSX management has consistently over-estimated volume growth

	Management Forecast		Reality
2005 CSX Investor Day	Budgeted for 2-3% annual volume ***growth*** for 2006-2010	➔	Since 2005, volumes have been ***down***
2005 Q4 Earnings Call	"I think you could expect 1-3% ***[growth]***" [in 2006]	➔	In 2006, volumes were ***flat***
2006 Q3 Earnings Call	"We expect 2 to 3% volume ***growth*** for the fourth quarter"	➔	Q4 volumes were ***flat***
2006 Q4 Earnings Call	"Strong expectations for [intermodal] volume ***growth***"	➔	Intermodal volumes in 2007 were ***down*** over 3%

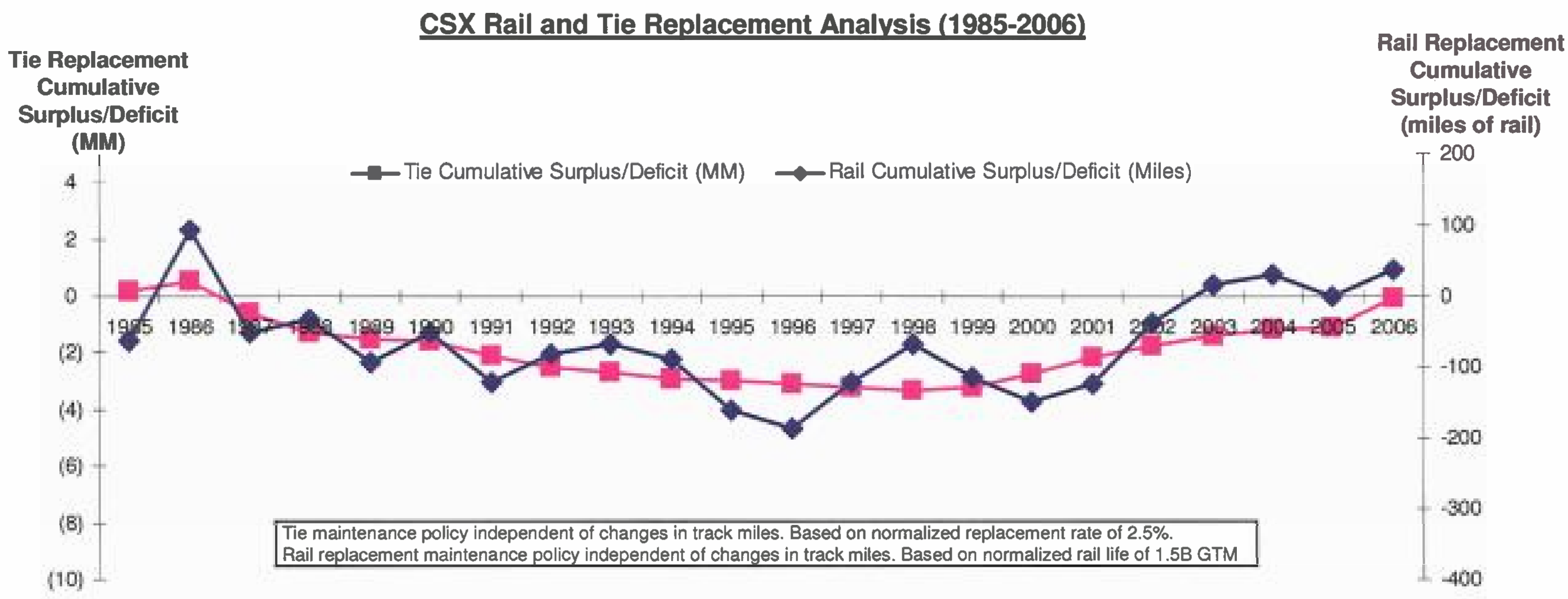
Management's consistent over-estimation of growth is concerning

Source: CSX Investor Day Presentation, 11 August 2005, Q4 2005 Earnings Call (January 24, 2006), Q3 2006 Earnings Call (October 18, 2006), Q4 2006 Earnings Call (January 3, 2007)

Capital Allocation And Structure

Is there significant deferred maintenance liability? Data says no…

CSX appears to have made up for historic deficits in tie/rail maintenance programs



CSX's network does not appear to need "catch-up" maintenance capex

Source: Group Analysis of Class I Railroads – various lines and R-1 Schedule 721
Base scenario assumes that CSX and NS maintains and replaces rail and ties independent of expected changes in track miles
Assets integrated from Conrail in 1999 assumed to be maintained to normalized standards

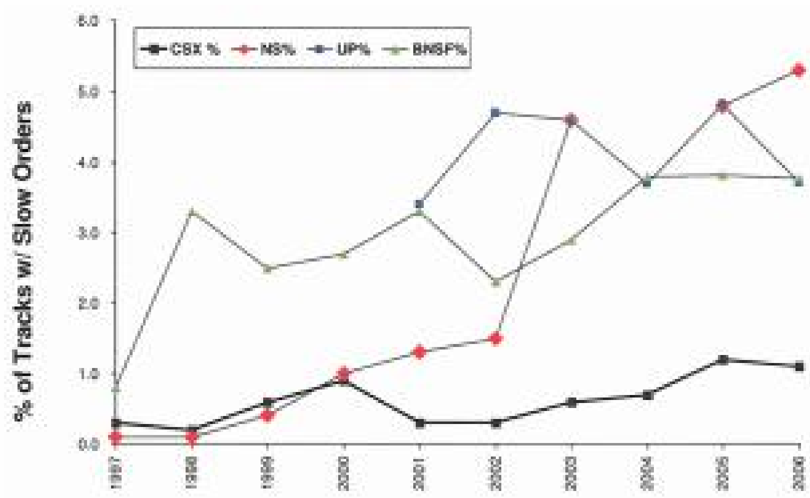
Capital Allocation And Structure

Network performance doesn't indicate deferred maintenance either

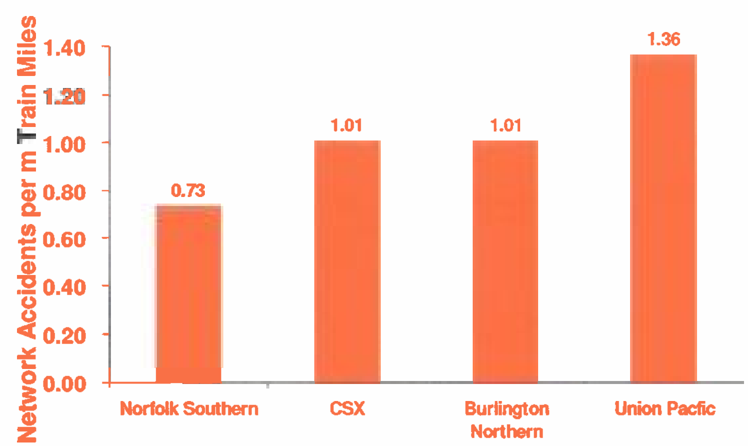
CSX has lowest % of network on slow orders and average performance on network caused accidents…performance that does not indicate an under-invested network

Slow Orders (1997 – 2006)

Slow Orders require trains to run at reduced speeds on sections of track. Common reasons include track condition, accidents, weather.



Network Caused Accident Rate (2007)



Source: Slow Orders – Group analysis of R1 Reports, Schedule 720. Network Accident Rate is Group Analysis of FRA Reports and refers to "Track and Signal" accidents between January – December 2007

Capital Allocation And Structure

Factors to consider in capital structure

Strength of Business

- ✓ Infrastructure asset
- ✓ Pricing stability
- ✓ Diverse revenue base
- ✓ Non-core real estate
- ✓ Low-cost provider
- ✓ Cost opportunities
- ✗ Fixed cost base
- ✗ Capital intensive

Volatility of Cash flows

- ✓ Downside case quantifiable
- ✓ Must be able to service taxes, interest and maintenance capex in a downside case
- ✓ Not as severe as imagined

Serviceable Leverage

- ✓ Raise capital for both investment and buybacks
- ✓ Increase returns
- ✓ Maintain access to capital

Capital Allocation And Structure

What is the appropriate capital structure for CSX?

	CSX Today *2x Net Debt / EBITDA*	Each Incremental *1x Net Debt / EBITDA*
Net Debt ($bn)	$6.5bn	$3bn
(EBITDA – Maint capex) / Interest	4.6x	-
Potential decline in EBITDA possible(1)	49%	7% less
New Capital Raised For Investment		$3bn
Or % of shares repurchased (2)		13%
Value Created per Share(3)		$12
Upside per share(4)		20%

What is the appropriate risk…

Uses for capital raised

… for the reward?

Each incremental turn of leverage creates $12 per share in value

Source: Group analysis, CSX 2007 10-K. (1) Amount EBITDA can decline and with CSX still being able to service Interest, Taxes and Maintenance Capex. Subject to covenants. (2) Assumes purchase price of $61.94 as of April 25, 2008. (3) Calculated as value created by investing debt at an pre-tax cost of 7% in either equity or capex projects returning 15% after tax and capitalizing resulting value at 15x. (4) Upside calculated based on price of $61.94 as of April 25, 2008

Capital Allocation And Structure

Even in a severe downturn EBITDA is relatively resilient

Pro Forma Financials

	2007A	Downside	%
Revenue / Unit	1,409	1,452	3%
Units	7,116	6,760	-5%
Revenue	**10,030**	**9,814**	**-2%**
Operating Costs	5,708	5,850	2%
Depreciation	883	909	3%
Diesel	1,210	1,150	-5%
Total Costs	**7,801**	**7,909**	**1%**
EBIT	**2,229**	**1,906**	**-15%**
Margin	*22%*	*19%*	
EBITDA	**3,112**	**2,815**	**-10%**
Margin	*31%*	*29%*	
% of Total Costs Fixed			**77%**

"Downside" Case Rationale

Inflation escalators on vast majority of contracts

Previous recessions have seen units fall 4-5%

90%+ of Operating Costs fixed over the short-term

Diesel Fuel variable (fuel surcharges now in place)

→ 10% EBITDA decline

Potential mitigants:

- Real pricing above inflation
- Cost cutting
- In the current "freight recession" good rails are getting 5-6% pricing and reducing absolute costs

Source: Group analysis. CSX 10K Report and Q4 Financial Report, adjusted for Insurance Recoveries

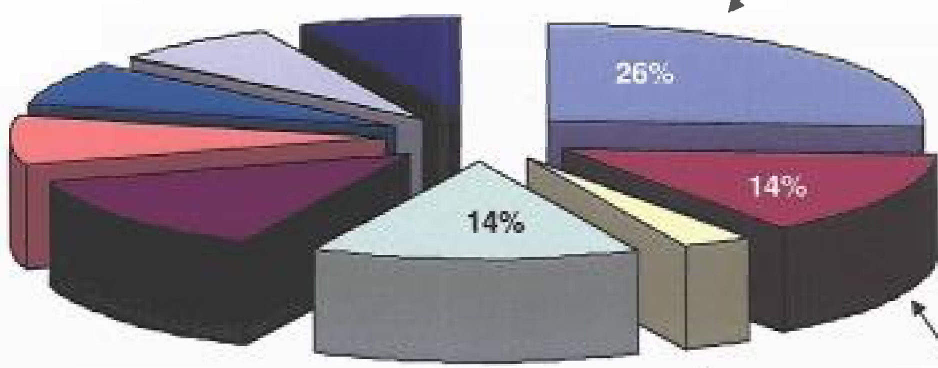
Capital Allocation And Structure

Diversity of revenue base limits volume downside

CSX Revenue Breakdown

Other = 43%
- Chemicals 13%
- Automotive 8%
- Forest Products 7%
- Metals 7%
- Other 8%

Coal = 26%
- *Utility coal used for heating/lighting/AC*
- Stable over time
- Short term weather/inventory influence



Intermodal = 14%
- Structural growth from trade/share gain
- Can be cyclical in short term

Agriculture/Food/Fertilizers = ~14%
- Feedstock and food input/outputs
- Growth from ethanol related moves

Waste = ~3%
- Population dependent

Source: Group analysis. CSX 10K Report 2007 and Q4 Quarterly Financial Report 2007

Appendix

Our Nominees

Christopher Hohn (41)

Before founding TCI in 2003, Mr. Hohn spent seven years at Perry Capital and was the portfolio manager leading its European investment strategy from 1997 to 2003. Mr. Hohn has previously served on the Board of RIT Capital Partners plc, which is publicly listed on the London Stock Exchange

- Key reasons Mr. Hohn is being nominated and can add value to CSX are
  - Mr. Hohn has a long and successful track record of fundamental investing and actively maximizing value of public companies, including the Deutsche Börse Group, ABN AMRO, and Euronext N.V.
  - Mr. Hohn has successfully advocated for strong corporate governance and shareholder rights in situations around the world
  - TCI owns approximately 4.4% of CSX's outstanding shares
- Mr. Hohn received a B.S. legree in Accounting and Business Economics (1st Class Honors) from Southampton University an an M.B.A. degree (high distinction) from Harvard Business School

Our Nominees

Alexandre Behring (41)

Mr. Behring is the Managing Director of 3G, a private investment firm. Previously, he spent 10 years at GP Investments, Latin America's largest private-equity firm, including eight years as a Partner and Member of the firm's Investment Committee. He served for seven years as CEO of America Latina Logistica (ALL), Latin America's largest independent railroad and logistics company, which operates more than 13,000 miles of track in Brazil and Argentina. He remains on the Management Committee of ALL's Board

- Key reasons Mr. Behring is being nominated and can add value to CSX are:
  - Mr. Behring is a unique combination of a large CSX shareholder (3G owns approximately 4.3% of CSX's outstanding shares) and an experienced, accomplished, hands-on railroad executive
  - Under his leadership, ALL's accident rate was reduced by 86%, locomotive productivity increased at a double-digit compound annual growth rate, and its EBITDA margin improved from 6% to 41%
  - ALL is now one of the most efficient and technologically advanced freight railroads in the world and has been voted several times by its employees as one of the best companies to work for in LatAm
  - As a publicly traded company, ALL's market capitalization of $7.7 billion is over 40 times the amount Mr. Behring and his partners paid for the company 10 years ago
- Mr. Behring received a B.S. degree in Electric Engineering from Pontifícia Universidade Católica and an M.B.A. degree (high distinction) from Harvard Business School. He is also a locomotive engineer

Our Nominees

Gilbert Lamphere (55)

Mr. Lamphere is the Managing Director of Lamphere Capital Management, a private investment firm. Previously, he was a Director of Canadian National Railway, Chairman of Illinois Central Railroad prior to its sale to Canadian National in 1998, and a Director of Florida East Coast Industries (a railroad and real estate company). He also participated in the acquisition, financing, and oversight of MidSouth Rail. Mr. Lamphere has served as a Director of nine other public companies, including Carlyle Industries, Inc., Cleveland-Cliffs Inc., R. P. Scherer Corporation and Global Natural Resources Corporation. Earlier in his career, Mr. Lamphere was a Vice President of Mergers & Acquisitions at Morgan Stanley.

- Key reasons Mr. Lamphere is being nominated and can add value to CSX are:
    - Mr. Lamphere has been Chairman or a director at three of the most successful and efficient railroads in North America
    - During his tenure on the Boards of Canadian National and Illinois Central, where he worked closely with Hunter Harrison, the Companies' operating ratios improved from 76% to 64% and from over 90% to 63%, respectively
    - Mr. Lamphere is deeply knowledgeable of the best practices in railroad operations and a proven value-added railroad board director
- Mr. Lamphere received an A.B. degree in Economics from Princeton University and an M.B.A. degree (high distinction) from Harvard Business School.

Our Nominees
Timothy O'Toole (52)

Mr. O'Toole has over 25 years of railroad industry experience. He is currently the Managing Director of the London Underground, where he is responsible for operating and rebuilding the Tube, the world's oldest metropolitan railway. Previously, he served as President and Chief Executive Officer of Conrail from 1998 to 2001. During his more than 20 years at Conrail, he served in various senior management roles, including Senior Vice President of Law and Government Affairs, Senior Vice President of Finance and Chief Financial Officer, Vice President and Treasurer, and Vice President and General Counsel.

- Key reasons Mr. O'Toole is being nominated and can add value to CSX are:
  - Mr. O'Toole was a prominent figure in the transaction splitting the former Conrail business between CSX and Norfolk Southern, providing him with first-hand knowledge of CSX's assets and operations
  - Under his leadership, Conrail achieved record financial results and safety performance. Similarly, under his leadership the London Underground has improved service and safety and moved record numbers of passengers, all while undergoing an historic rebuilding program
  - Mr. O'Toole was made an Honorary Commander of the British Empire in recognition of his performance following the terrorist attack on London's transport system in 2005.
- Mr. O'Toole received a B.A. degree in English Literature (Maxima Cum Laude) from LaSalle University, a J.D. degree from the University of Pittsburgh School of Law, and an Honorary Doctor of Humane Letters degree from LaSalle University.

Our Nominees

Gary Wilson (68)

Mr. Wilson was a principal investor and Co-Chairman of the Board of Northwest Airlines from 1991 to 1997 and Chairman from 1997 to 2007. From 1985 to1990, he was Chief Financial Officer and a director of The Walt Disney Company and served on its Board until 2006. Prior to joining Disney, Mr. Wilson served for 11 years in senior executive positions at Marriott Corp., including Executive Vice President and Chief Financial Officer, Head of Corporate Development, and Treasurer. He is a current director of Yahoo! Inc. (NASDAQ: YHOO) and CB Richard Ellis Group Inc. (NYSE: CBG).

- Key reasons Mr. Wilson is being nominated and can add value to CSX are:
  - Mr. Wilson has a track record – as an executive, director and investor – of leading major companies through strategic transitions and creating substantial shareholder value. He is also a strong advocate of improved corporate governance in public companies
  - Mr. Wilson successfully transitioned Marriott from an owner-operator to the more profitable and scaleable business model of a hotel management company
  - During his tenure as CFO, Disney's market value increased significantly and Mr. Wilson expanded its hotel and theme park assets while utilizing innovative financing techniques
  - Mr. Wilson was an investor in and a director of Progress Rail, one of North America's largest providers of railroad products and services
- Mr. Wilson received a B.A. degree from Duke University and an M.B.A. degree from The Wharton School of the University of Pennsylvania

Back-Up Data
For Slide 35

CSX 2007 Reported Operating Income	**2,251**
- Gains on Insurance Recoveries	(28)
+ Serious Derailments in Q1	38
- 80% of $56m Personal Injury Reserve in Q4	(45)
- 80% of $30m Personal Injury Reserve in Q2	(24)
- 1/7 of previously taken Personal Casualty Claim	(33)
CSX 2007 Adjusted Operating Income Used In Analysis	**2,159**

CSX 2003 Reported Operating Income	**651**
+ 6/7 of 7 year Personal Casualty Claims in Q3	196
+ Restructuring Charges	22
CSX 2003 Adjusted Operating Income Used In Analysis	**869**

Source: Group Analysis of CSX Quarterly Reports, 10-Qs, and 10-Ks

Back-Up Data
For Slide 37

CSX 2007 Reported Total Expenses	**7,779**
+ Gains on Insurance Recoveries	28
- Serious Derailments in Q1	(38)
+ 80% of $56m Personal Injury Reserve in Q4	45
+ 80% of $30m Personal Injury Reserve in Q2	24
+ 1/7 of previously taken Personal Casualty Claim	33
CSX 2007 Adjusted Total Expenses Used In Analysis	**7,871**

2006 Reported Total Expenses	**7,440**
+ Gain on Insurance Recoveries	168
+ 1/7 of previously taken Personal Casualty Claim	33
2006 Adjusted Total Expenses Used in Calculations	**7,641**

2005 Reported Total Expenses	**7,069**
+ 1/7 of previously taken Personal Casualty Claim	33
2005 Adjusted Total Expenses Used in Calculations	**7,102**

2004 Reported Total Expenses	**7,047**
- Restructuring Charge	(71)
+ Materials, Supplies, and Other Recoveries and Settlements	6
+ Fuel Recoveries from Foreign Line Fuel Billing Disputes	8
+ 1/7 of previously taken Personal Casualty Claim	33
2004 Adjusted Total Expenses Used in Calculations	**7,023**

CSX 2003 Reported Total Expenses	**6,788**
- 6/7 of 7 year Personal Casualty Claims in Q3	(196)
- Restructuring Charges	(22)
CSX 2003 Adjusted Total Expenses Used In Analysis	**6,570**

2002 Reported Total Expenses	**6,188**
- Severance and Other Costs	(6)
+ State and Local Tax Adjustments	17
+ Net Contract Settlement Expense	11
2002 Adjusted Total Expenses Used in Calculations	**6,210**

2001 Reported Total Expenses	**6,347**
+ Insurance Settlements	14
- New Orleans Litigation	(60)
- Baltimore Tunnel Fire	(13)
2001 Adjusted Total Expenses Used in Calculations	**6,288**

2000 Reported Total Expenses	**6,530**
2000 Adjusted Total Expenses Used in Calculations	**6,530**

Source: Group Analysis of CSX Quarterly Reports, 10-Qs, and 10-Ks

Back-Up Data
For Slide 38

	Q1 2007	Q1 2008	Q4 2006	Q4 2007
CSX Reported Non-Fuel Operating Expenses	1,653	1,646	1,620	1,611
+ Insurance Recoveries	18	2	27	8
- Serious Derailments	-38			
+ 80% of change in Personal Injury Reserves				45
CSX Adjusted Non-Fuel Operating Expenses	1,633	1,648	1,647	1,664
Volume	1,755	1,717	1,810	1,761
Reported Opex Per Unit	$942	$959	$895	$915
Adjusted Opex Per Unit	$930	$960	$910	$945
Reported Growth		-0.4%		-0.6%
Adjusted Growth		0.9%		1.0%
Reported Per Unit Growth		**1.8%**		**2.2%**
Adjusted Per Unit Growth		**3.2%**		**3.8%**

Source: Group Analysis of CSX Quarterly Reports, 10-Qs, and 10-Ks

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Sunday Times (UK)

April 27, 2008

Section: Features

Sharing their good fortune ;Rich List 2008

Alastair McCall

Philanthropy is growing rapidly as the wealthy look to make a lasting impact on an international scale, says Alastair McCall

A new age of philanthropy is revealed by this year's Sunday Times Giving List. Our barometer of charitable activity shows that the super-rich are engaged in unprecedented levels of giving.

They are more directly engaged in the distribution of that money than ever before. Many of the predominantly self-made men and women who top this year's Giving List are demanding the same level of control over their giving as has served them so well in their wealth-creation activities.

The leading 30 philanthropists among Britain's richest 1,000 people have pledged or given away almost Pounds 2.38 billion in the past year, nearly double last year's figure of Pounds 1.21 billion, and more than five times the amount in 2006. To make the top 30, an individual had to give to charity at least 3% of their residual worth, up from last year's record figure of 1.36%. Indeed, in our expanded table of the top 50 givers, right, all are donating at levels greater than last year's top 30.

Their entrepreneurial confidence is fuelling a giving spree of a scale never seen before. "Sea-change is not too strong a word for what we are seeing," says John Low, chief executive of the Charities Aid Foundation.

"There are two distinct trends: one is a move towards being more open about giving, the other is a move towards planned giving and wanting to take greater ownership of it. This has been going on for a while but it is gaining momentum."

While some still regard discussion of their philanthropic activities as rather vulgar and rebuff our annual survey, increasing numbers are happy to talk

about their charity work. "These people are being influenced by stories in the media about giving and it is encouraging them to stick their heads above the parapet," Low says.

They are providing a vital lead for others. Sir Tom Hunter, third in the Giving List, having pledged to give away Pounds 1 billion in his lifetime through the Hunter Foundation, embraces the role he believes is incumbent on him and those like him. "I'm having the time of my life doing this," the retail entrepreneur says. "I am evangelical about telling people about it. I still enjoy the wealth-creation side of things; it still stimulates me. But my foundation work stimulates me too, and I can't think of a better balance."

Hunter is working in Rwanda and Malawi with Bill Clinton, the former American president, through the Clinton-Hunter Development Initiative. The watchword for his charitable work there is partnership. He seeks significant, if not matching, funding for most projects from within the two countries - and he demands results, bringing his business acumen to bear. "Handouts breed a dependency culture," he says. "We try to deal with solutions rather than the fallout from problems and we do what we do for a commercial and social return."

As Britain's leading "venture philanthropist", Hunter adopts a business approach to the funding that will sustain his giving over the coming decades. He keeps the cash earmarked for philanthropy within his core West Coast Capital investment vehicle, allowing it to grow with his own business.

As well as taking on local partners for initiatives, Hunter seeks out world experts in agriculture, healthcare and education to provide the detailed knowledge he freely admits he does not have himself. "We can't solve every world problem. Our approach is to find the best in the world at dealing with the particular challenge we are facing and to create a framework - and then let them get on with it."

Results are tangible. Hunter has helped Rwandan coffee growers to create a brand of their own to avoid the limited profit margin going to middlemen. The coffee is to be sold by Sainsbury's. "It's been a case of getting the farmers to think as business people," Hunter says.

His hands-on involvement in charitable spending is characteristic of much of the increased levels of giving seen this year. Several personal charitable foundations have been created in the past 12 months (see list of notable donations), servicing causes close to the hearts of the philanthropic millionaires underwriting them and often administered by relatives - typically wives, sons or daughters - to ensure enduring emotional as well as financial commitment.

A good example is the Children's Investment Fund Foundation (CIFF), created by London hedge fund manager Christopher Hohn. It is run by his wife, Jamie Cooper-Hohn, who has substantial experience in the charity sector. The foundation is bankrolled by a specific hedge fund, the Children's Investment Fund, which last year contributed profits of almost Pounds 200m to

CIFF. The Hohns' charitable gifts and expenditure are running at more than double their wealth, giving them the highest-ever Giving Index score.

Sir Ian Wood, the second-richest person in Scotland (behind Hunter), acknowledges Hunter's leading philanthropic role, in particular the "very useful information" he provided before the Wood Family Trust was launched last September. Wood has hired a chief executive with voluntary sector experience but he, his wife Lady Helen and son Garreth will work part-time for the charity, which will spend 75% of its Pounds 50m endowment in Africa and the rest in the UK, with a particular focus on developing young people in Scotland.

Completing a triumvirate of Scottish philanthropists, all worthy successors to Andrew Carnegie, perhaps the ultimate philanthropist (Scottish or otherwise), is Margie Moffat, co-founder of the AT Mays travel agency. Her family ranks second on this year's Giving List, having given away more than its residual worth with the decision to put Pounds 50m into their charitable trust for distribution among Scottish causes. "It's more money than I can spend," Moffat, 85, said shortly after the endowment was announced. "I can't even spend the interest. It's good to make use of it."

The galvanising effect of high-profile giving on the wider population can be dramatic. Take Terry Pratchett's Pounds 500,000 commitment to the Alzheimer's Research Trust, shortly after he disclosed that he was in the early stages of the condition. Within days, bloggers and fans had launched a Match it for Pratchett website to gather more funding.

A spokesman for the Alzheimer's Research Trust said that Pratchett's

benefaction had generated an extra Pounds 50,000 of directly attributable donations from the public within days, and had also been invaluable in raising the profile of the disease. "Before Terry spoke we were on a par with Amy Winehouse in terms of column inches, and about 50% less than David Beckham. Now we are on a par with Madonna."

Rebecca Wood, chief executive of the trust, added: "Hearing Terry Pratchett speak out about what is still too often a taboo subject offered comfort to many of the 700,000 people in the UK who live with dementia and moved all who work in dementia research."

When wealth is combined with celebrity, the giving of time can be an even more potent charitable currency than hard cash. David Beckham's role as a goodwill ambassador for Unicef, the international children's charity, gives it a guaranteed profile. The footballer's visit to Sierra Leone in January made the news worldwide and publicised the charity's humanitarian work in the war-torn African state.

He and his wife, Victoria, are also generous with their money. His eponymous football academy is reckoned to have given about Pounds 2m charitably in benefits in kind and the Full Length and Fabulous Ball, held at their home before the World Cup, raised a similar sum to help disadvantaged children.

Quite how far the spirit of philanthropy has extended in the past year became apparent last month when Simon Cowell, television's "Mr Nasty", showed his softer side on American primetime television. During an appearance on the Oprah Winfrey Show, he wrote a cheque to clear the Pounds 80,000 mortgage of a couple whose three-year-old daughter has cancer.

Cowell, the television and music entrepreneur, whose fortune has increased to Pounds 112m this year, said after the programme: "I never knew that doing good could feel so good." He also made a frank admission to Winfrey: "It has taken me 48 years. I credit you with this."

That feelgood factor, coupled with the entrepreneurial confidence that allows our self-made philanthropists to spend charitably in the belief that the sums can easily be earned again, bodes well for the future of giving among the super-rich.

With many having transferred shares and other assets into foundations and charitable investment vehicles in the past few weeks to beat rule changes on capital-gains tax, the prospects for another bumper year are good.

---- INDEX REFERENCES ----

NEWS SUBJECT: (Social Issues (1SO05); Foundations (1FO95); Philanthropy (1PH09))

INDUSTRY: (Entertainment (1EN08); Sports (1SP75))

REGION: (England (1EN10); Africa (1AF90); Europe (1EU83); United Kingdom (1UN38); Scotland (1SC90); Western Europe (1WE41))

Language: EN

OTHER INDEXING: (ALASTAIR MCCALL; ALZHEIMER; AMY WINEHOUSE; CHARITIES AID FOUNDATION; CIFF; HUNTER DEVELOPMENT INITIATIVE; HUNTER FOUNDATION; INVESTMENT FUND; INVESTMENT FUND FOUNDATION; OPRAH WINFREY SHOW; POUNDS; RESEARCH TRUST; RICH; SCOTTISH; SHARING; UK; WOOD FAMILY TRUST) (Andrew Carnegie; Christopher Hohn; Clinton; Completing; Cowell; David Beckham; Fabulous Ball; Handouts; Helen; Hohn; Hohns; Hunter; Ian Wood; Jamie; John Low; Margie Moffat; Moffat; Nasty; Pratchett; Rebecca Wood; Simon Cowell; Terry Pratchett; Tom Hunter; Wood)

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What does The Children's Fund really want?(Rail Update)
Bowen, Douglas John

Stripped of financial figures, formal public pronouncements, and legal niceties, the mid-October sparring between CSX Corp. and The Children's Investment Fund took on all the diplomatic subtlety of a playground argument--or a bar fight. The supposed small kid on the block complained that the big kid wouldn't talk with him. But any superficial "David and Goliath" analogy can be deceiving.

(ILLUSTRATION OMITTED)

And while the London-based activist hedge fund may portray itself as a victim to the financial excesses of a venerable Class I rail-road, The Children's Investment Fund is staking an aggressive posture that is anything but meek.

Founded in 2003, with assets of roughly $3 billion, TCI has amassed a 4.1% stake in CSX, insists it won't be ignored, and says it has every right to weigh in on the railroad's performance, and, moreover, persuade others on the same fiscal playground to make the big kid relent.

In an interview with Railway Age, founding partner Snehal Amin suggested that TCI had considerable moral clout that could persuade--or force--CSX management to adopt significant changes.

As precedent, Amin points to TCI's impact on Dutch giant ABN Amro Bank NV. Early this year, TCI demanded that the bank split up or sell itself to the highest bidder to maximize shareholder value, resulting in a bidding war for the company. Three European banks announced last month that their offer for ABN Amro was accepted, trumping an initial offer by Barclays plc.

TCI held just 1% of ABN Amro shares, Amin points out. "Yet 70% voted in favor of our changes," he claims, adding, "Our views are generally widely felt." Asked if TCI would seek allies to boost pressure on CSX, Amin says, "We're not working with other investors."

But TCI has done just that at least once in 2007. With an 8% stake in Deutsche Borse, it forced the company's chief executive to resign May 9, and prompted its chairman to step down by year-end, enlisting the aid of partners such as Atticus Capital, Merrill Lynch, and Fidelity Investments.

Such success may explain TCI's willingness to challenge a Class I railroad with seeming impunity; its Oct. 17 letter to the CSX board calls for similar changes, Amin says, to what it advocated in the ABN Amro case. Those changes include:

* Separating the roles of CEO and chairman, both now held by Michael Ward.

* Revamping the current board--accused of having little railroad management experience--with fresh blood.

* The right of shareholders to call special meetings.

* Aligning management compensation with shareholder interests.

* Forming a plan to improve operations.

* Improving relations with shareholders, shippers, and labor.

A spokesman for CSX responded promptly to resultant press inquiries by stating, "The company has received the letter from TCI and is reviewing it." Shortly after, CEO Michael Ward responded, though not directly. He dismissed TCI's itemized suggestions and defended CSX's three-year capital expansion program of $4.9 billion:

"The amount of capital we're spending is right in line with what everybody else in this industry is spending," Ward told the Financial Times.

TCI also has invested in NS and UP, and it could choose to ignore CSX in favor of other railroads, something the Oracle of Omaha, Warren Buffett, has done. TCI has used Buffett as a reference point in its attack on CSX, even as it simultaneously insists it won't (or can't) operate as Buffett's Berkshire Hathaway, Inc., does. TCI's philosophical difference, Amin says, was that "shareholders are the owner; management works for you."

But Amin says the midmonth public relations blast was hardly an opening salvo, claiming TCI had sought constructive dialogue since at least mid-2006. TCI's patience was exhausted after it sought answers from CSX management during an "Investors Day" conference in early September, scheduled to last two days, that Amin says ended after two hours. "After that, we concluded something had to be done." The incendiary "something" was the letter to the CSX board, dated Oct. 17.

Refusing to tip his hand, Amin says TCI has no set game plan and will keep its options open. "The ball is in their (CSX's) court right now," he says. "We'll evaluate every opportunity we can; there's no timeline." But he adds, "We feel we've been very patient." Clearly, it's in TCI's interest to generate enough angst among CSX investors to be anything but.

(See also "Mugging a Class I," page 10.)

---- INDEX REFERENCES ----

COMPANY: FIDELITY INVESTMENTS; FMR CORP; NZSKI COM; MERRILL LYNCH; ABN AMRO BANK; ABN AMRO BANK (CHILE); FIDELITY GLOBAL SPECIAL SITUATIONS; MERRILL LYNCH AND CO INC; TELECOMMUNICATIONS COOPERATIVE NETWORK INC; MERRILL LYNCH AND CO CANADA LTD; ORACLE; FIDELITY INVESTMENT; ABN AMRO BANK AO; ABN AMRO HOLDING NV; CSX CORP; FIDELITY RETIREMENT GROWTH FUND; ORACLE CORP; NBH INC; BERKSHIRE HATHAWAY INC

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INDUSTRY: (Transportation (1TR48); Banking (1BA20); Railroads (1RA98); Land Transportation (1LA43); Financial Services (1FI37))

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OTHER INDEXING: (ABN AMRO; ABN AMRO BANK; BERKSHIRE HATHAWAY INC; CSX; CSX BOARD; CSX CORP; FIDELITY INVESTMENTS; MERRILL LYNCH; ORACLE; TCI) (Amin; Buffett; Michael Ward; Refusing; Snehal Amin; Ward; Warren Buffett) (Railroads (Services); Railroads (Finance)) (Services information (360); Financial management (250))

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Mittal Steel Offers $3.2 Billion For Remainder of Arcelor Brasil The Wall Street Journal
October 26, 2006 Thursday

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October 26, 2006 Thursday

SECTION: Pg. A13

LENGTH: 587 words

HEADLINE: Mittal Steel Offers $3.2 Billion For Remainder of Arcelor Brasil

BYLINE: By Paul **Glader**

BODY:

Mittal Steel Co. has proposed paying $3.2 billion to buy out minority shareholders of Arcelor SA's Brazil arm, in a defeat for the steel maker that will raise the cost of its combination with Arcelor and of creating a global steel giant.

It's not clear, though, whether Brazilian shareholders will accept Mittal's offer or demand more. Indeed, some shareholders are already indicating they will contest Mittal's offer.

Brazil's market-regulating body, Commissao de Valores Mobilarios, or CVM, ruled earlier this year that Rotterdam-based Mittal needed to buy out the 34% of Arcelor Brasil SA that Arcelor didn't own. The commission said Mittal moved to acquire "indirect control" of Arcelor Brasil when it bid for Arcelor earlier this year, triggering rights embedded in Arcelor Brasil's bylaws. Mittal had lodged an appeal, saying it wasn't obligated to make an offer because the deal with Arcelor was a "merger of equals" rather than a takeover, but the appeal was rejected.

Under Mittal's proposed buyout, Arcelor Brasil's shareholders can decide whether they want cash or a combination of cash and shares. If 100% accept the offer in cash, it would be worth $3.2 billion, valuing the entire Arcelor Brasil unit at $9.79 billion. Aditya Mittal, Mittal Steel's chief financial officer, said the Mittal proposal would be sent to CVM for comment and approval and could be presented to shareholders in the first quarter.

The offer is valued at 12.12 euros ($15.23), or 32.73 reais per Arcelor Brasil share. In Sao Paulo, Arcelor Brasil's shares fell 2.95 reais, or 7.4%, to 36.80 reais.

When the board of parent company Arcelor, of Luxembourg, this past summer recommended shareholders accept Mittal's offer, the offer was valued at 26.6 billion euros in cash and stock. Most of the shares have since changed hands, but the combination still awaits regulatory approval in some places.

Daniel Altman, senior managing director for metals in emerging markets at Bear Stearns, believes Mittal will have to boost its price. "I see this as kind of an opening salvo. I think the

price is too low for [Mittal] to actually have a successful tender," Mr. Altman said.

Mr. Mittal said during a conference call yesterday that, "if this offer can be completed earlier, it is better for everyone. Clearly if there is a challenge to our calculation, it could take a long time in Brazilian courts."

The Children's Investment Fund, a shareholder in Arcelor Brasil, said the Mittal offer was "unfair and in violation of the Arcelor Brasil bylaws," which require Mittal to provide equal treatment to the Arcelor Brasil minority shareholders. "We are entitled to the same 82% premium as Arcelor shareholders received, and in Mittal stock priced as of the offer date of June 25," said Snehal Amin, an executive with the fund. "We will go to the Brazilian market regulator to contest the offer, and failing that, to court."

Mr. Mittal said Brazil remains "a clear growth area" for the company, which had provided 11% of pro forma sales last year for a combined Arcelor-Mittal. Brazil, with plentiful iron ore and reasonably priced labor and energy, is a low-cost place to make steel slabs and other products.

"This offer does not impact our strategy or growth plans for Arcelor-Brazil whether in flat or long products as well as in Argentina," said Mr. Mittal, noting the company is expanding steel-making capacity on a major furnace and several steel-rolling mills in the region.

NOTES:
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LOAD-DATE: February 17, 2008

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View: Full
Date/Time: Thursday, May 29, 2008 - 10:19 AM EDT

ISSUES RAISED BY TREATING HEDGED SHARES AS BENEFICIALLY OWNED

SCHEDULE 13D SECTION	ISSUE
Instructions & Coverpages	
Date of Event Which Requires Filing of Schedule 13D	• Trigger date unclear for beneficial ownership of swap counterparty shares (*i.e.*, date swap agreement executed or when (and if) swap counterparty has actually acquired hedge shares). Also unclear is whether an amended 13D would need to be filed if the counterparty bank sold, lent, or otherwise disposed of its hedged shares. • Also unclear would be the obligation of the counterparty bank to disclose to the filer its hedging strategy, including when that strategy might change during the term of the swap contract
Names of Reporting Persons; Notice Parties	• Number of filing persons will include all financial institution counterparties and, perhaps, all separate accounts whether discretionary or not and proprietary accounts. Similarly, there will be a related increase in the number of individuals authorized to receive notices. • Identity disclosure (*Instruction C*) [1] will be extremely burdensome given organizational structures of swap counterparties but will be unlikely to provide useful information.

[1] Instruction C states that: If the statement is filed by a general or limited partnership, syndicate, or other group, the information called for by Items 2-6, inclusive, shall be given with respect to

i. each partner of such general partnership;
ii. each partner who is denominated as a general partner or who functions as a general partner of such limited partnership;
iii. each member of such syndicate or group; and
iv. each person controlling such partner or member. If the statement is filed by a corporation or if a person referred to in (i),(ii), (iii) or (iv) of this Instruction is a corporation, the information called for by the above mentioned items shall be given with respect to
   a. each executive officer and director of such corporation;
   b. each person controlling such corporation; and
   c. each executive officer and director of any corporation or other person ultimately in control of such corporation.

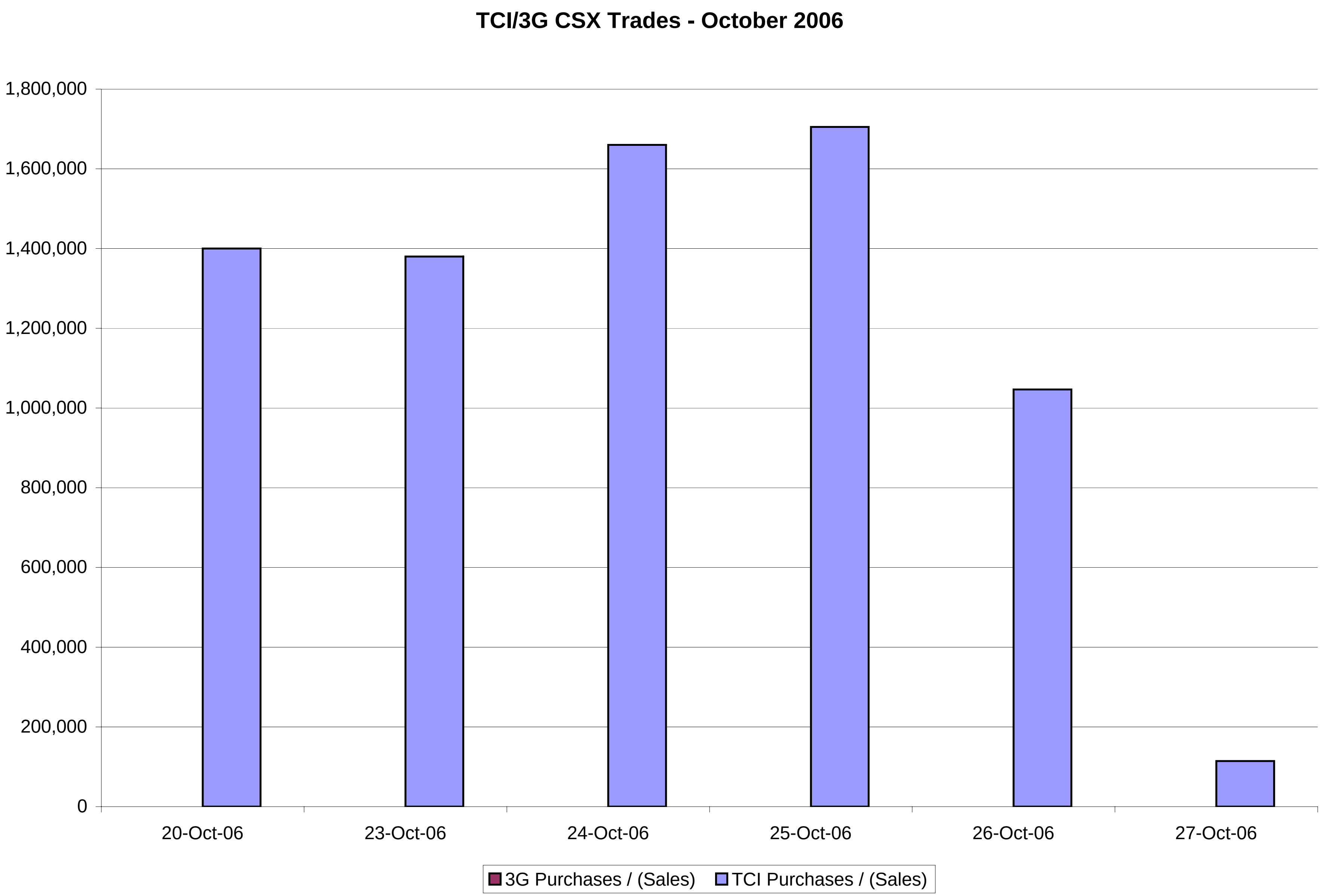
SCHEDULE 13D SECTION	ISSUE
Box to Check for "Group"	• Unclear whether a separate group is formed between Traditional Filer and each swap counterparty, or whether one large group is formed. • Added complexity if there are multiple Traditional Filers that have formed a traditional group, one or more of which have entered into swap contracts.
Source of Funds	• Including source of funds disclosure for all issuer securities owned by swap counterparties will be extremely burdensome (perhaps impossible) and could obscure Traditional Filer's disclosure.
Aggregate Amount Beneficially Owned by Each Reporting Person	• Need guidelines to determine the number of securities beneficially owned by each reporting person. Where a reporting person is a swap counterparty, the aggregate amount owned would include shares held on behalf of all that counterparty's customers (both in discretionary and non-discretionary accounts), its own proprietary trading positions and possibly in collective investment vehicle accounts. Thus, all those shares would have to be reported on each reporting person's Schedule 13D
Item 1. Security and Issuer.	
	--

Item 2. Identity and Background.	
	• Need guidelines to determine which natural persons are to be included pursuant to Instruction C. • Identity disclosure will be extremely burdensome given organizational structures of swap counterparties.

SCHEDULE 13D SECTION	ISSUE
	• Over-disclosure obscures information provided by Traditional Filers.
Item 3. Source and Amount of Funds or Other Consideration.	
	• Disclosure will be unduly complex and burdensome because swap counterparty would be required to disclose source of funds for hedge shares, shares held on behalf of customers (both in discretionary and non-discretionary accounts), proprietary trading positions, potentially in collective investment vehicle accounts, and in any other accounts.
Item 4. Purpose of Transaction.	
	• Swap counterparties will have different purposes for acquiring securities of the issuer from those of Traditional Filers, obscuring disclosure that is the primary purpose of the Williams Act. • Swap counterparties will have different purposes for acquiring hedge shares from those relating to other securities of the issuer that are beneficially owned (*e.g.* those shares held on behalf of customers (both in discretionary and non-discretionary accounts), proprietary trading positions and potentially in collective investment vehicle accounts). • Changes in purpose by swap counterparties may trigger an amendment, even where the changed purpose relates to securities not used for hedging or is unrelated to any change in purpose by the Traditional Filer.
Item 5. Interest in Securities of the Issuer.	
	• Swap counterparties are not required to hedge their swap exposure. If they hedge, may not fully hedge exposure with issuer securities or may hedge using means other than issuer securities.

SCHEDULE 13D SECTION	ISSUE
	These positions may change frequently. • Swap contracts may reference multiple securities or may provide economic exposure not perfectly correlated by the nominal amount of reference securities. • Traditional Filers may be deemed to have beneficial ownership of securities held by swap counterparties beyond hedge shares. • Frequent amendments to the Schedule 13D could result if swap counterparties change hedged position over time which cause material changes in beneficial ownership of the group. This could be the case even absent changes in swap agreements or Traditional Filer's investment portfolio. Similarly, amendments may result from changes in the number of securities beneficially owned by swap counterparties which are not part of the hedge shares.
Item 6. Contracts, Arrangements, Understandings or Relationships With Respect to Securities of the Issuer.	
	• If required, disclosure by swap counterparties of all swap arrangements with third parties relating to securities of the same issuer creates extreme practical burden and produces unhelpful information. Moreover, it could impose on the swap counterparties an obligation to disclose confidential information about the identity of its other swap clients. • Disclosure by swap counterparties of other arrangements relating to their holdings of the issuer's securities which are not swap shares results in unhelpful disclosure (*e.g.* brokerage agreements). • Disclosure required regarding other types of contracts of multipurpose financial institutions, even though not relevant to the swap agreement or the purposes of the Traditional Filers (e.g. agreements related to managing pension funds, financing agreements and agreements to provide financial advisory

SCHEDULE 13D SECTION	**ISSUE**
	services). • Disclosure of agreements governing customer accounts regarding account type, (*i.e.* discretionary or non-discretionary), may be required by swap counterparty. • Disclosure of other derivative contracts entered into by swap counterparties results in over-disclosure and obscures information provided by Traditional Filers.
Item 7. Material to be Filed as Exhibits.	
	• Filing of agreements relating to securities beneficially owned by swap counterparties, particularly those that are not hedge shares, results in over-disclosure and obscures information provided by Traditional Filers (e.g. filing by swap counterparties of agreements related to managing pension funds, financing agreements, agreements to provide financial advisory services, etc.).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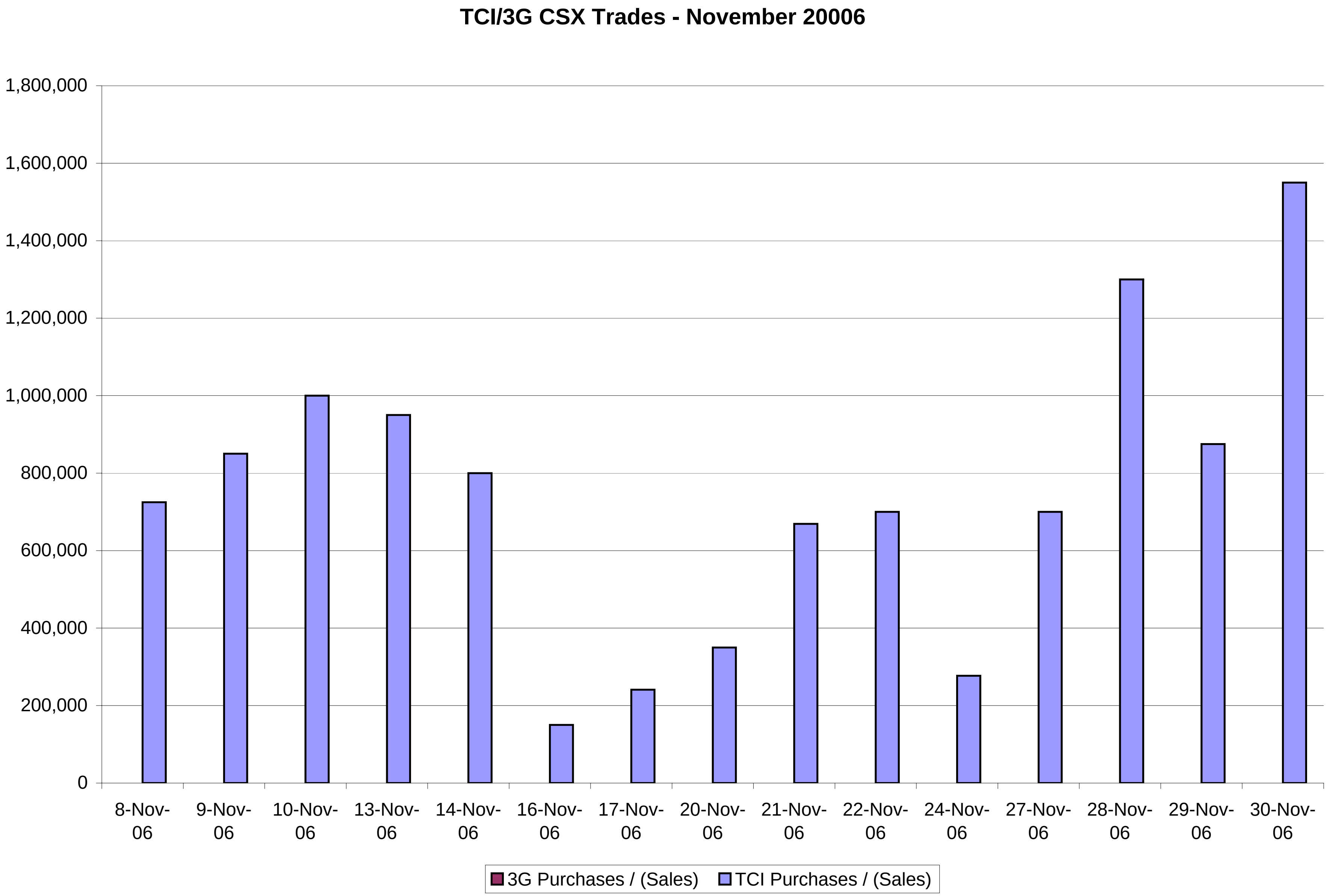
TCI Purchases / (Sales)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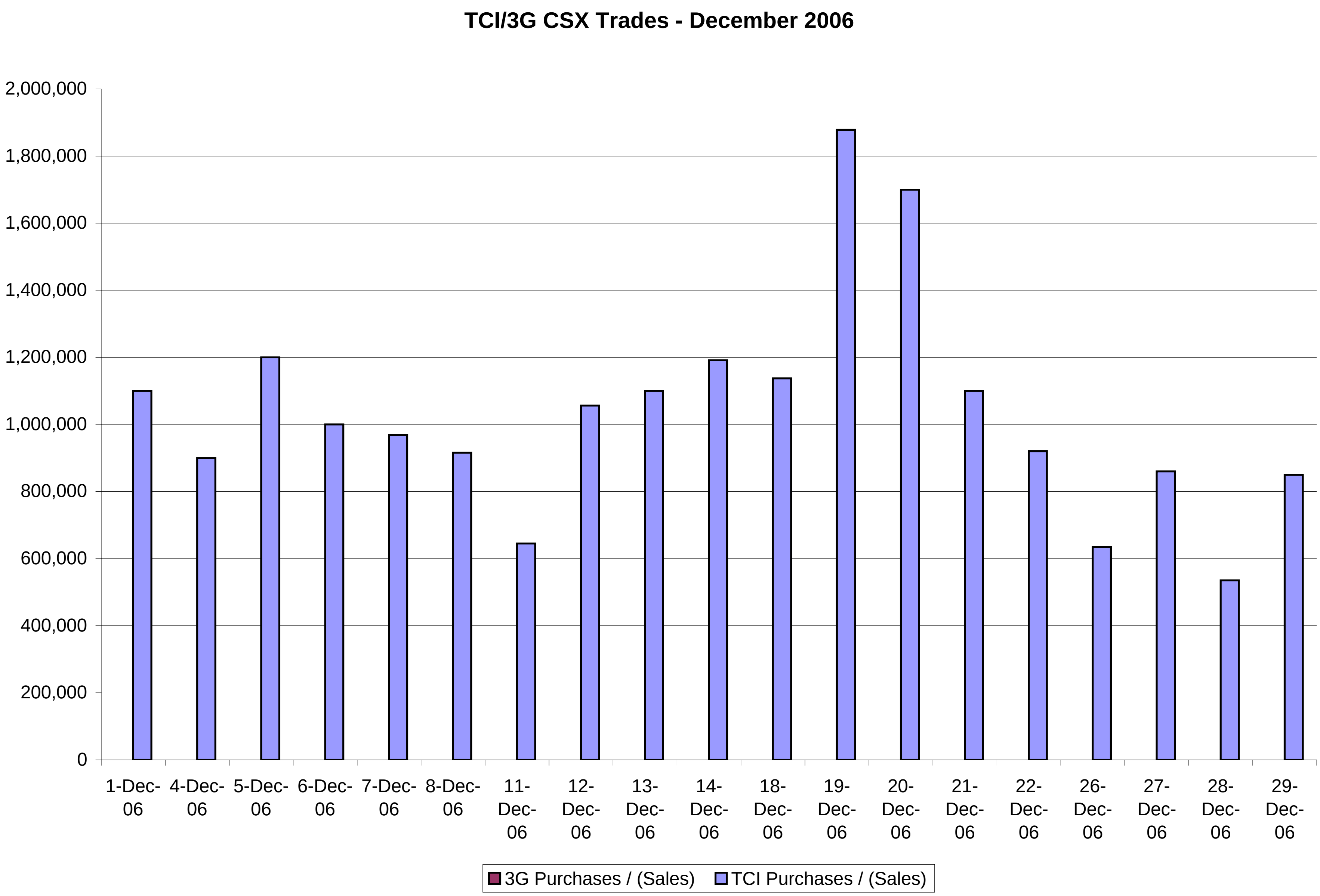
TCI Purchases / (Sales)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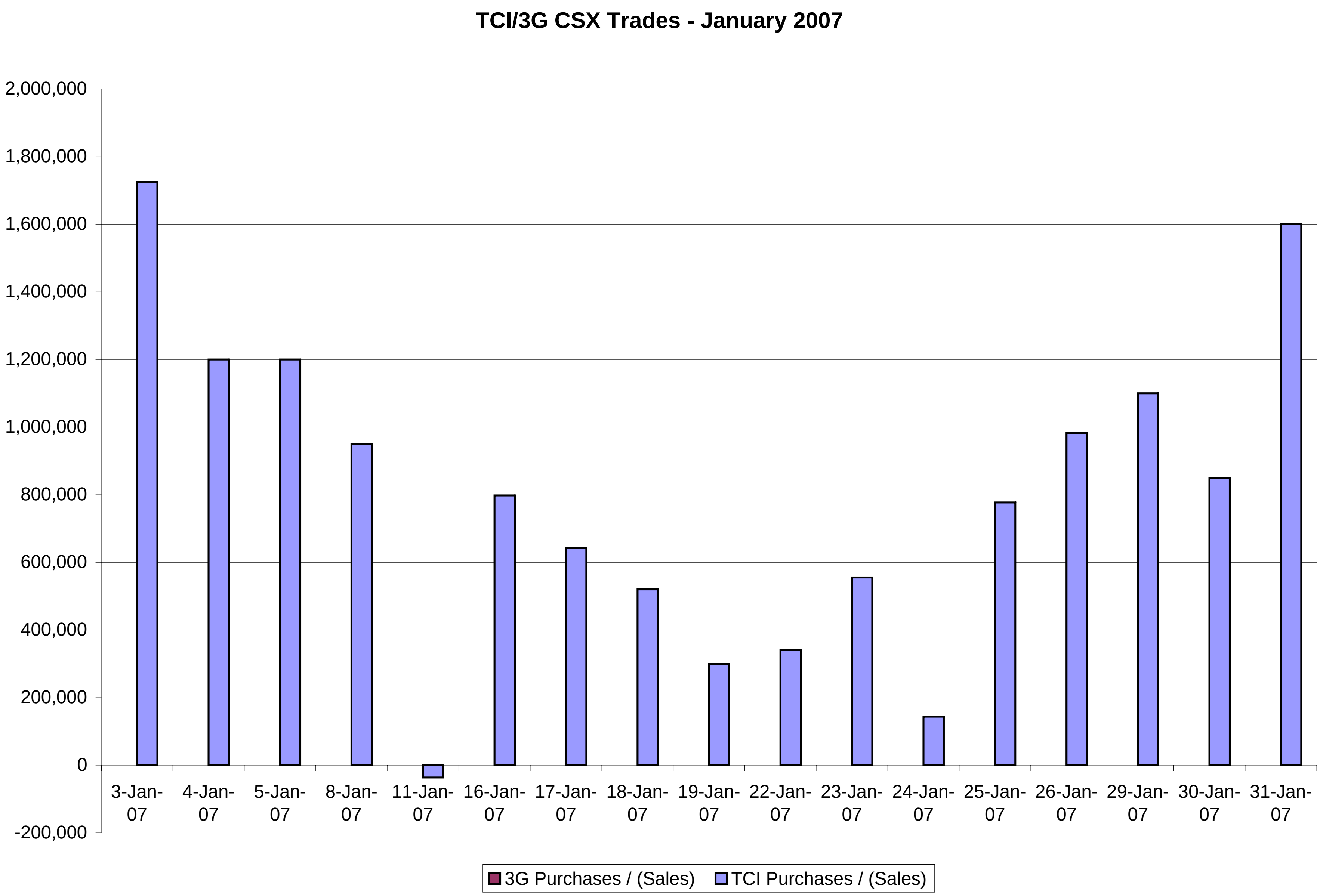
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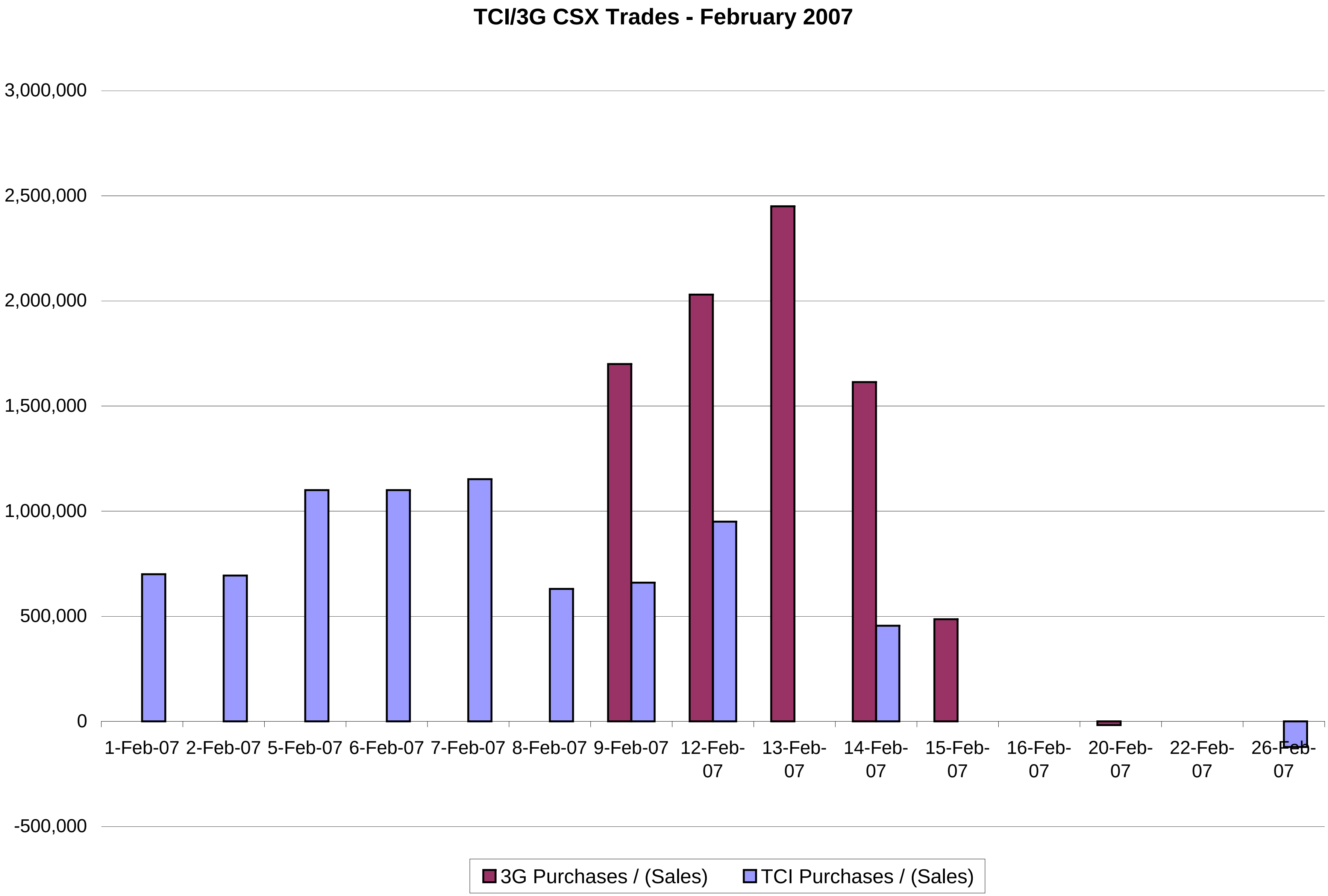
TCI Purchases / (Sales)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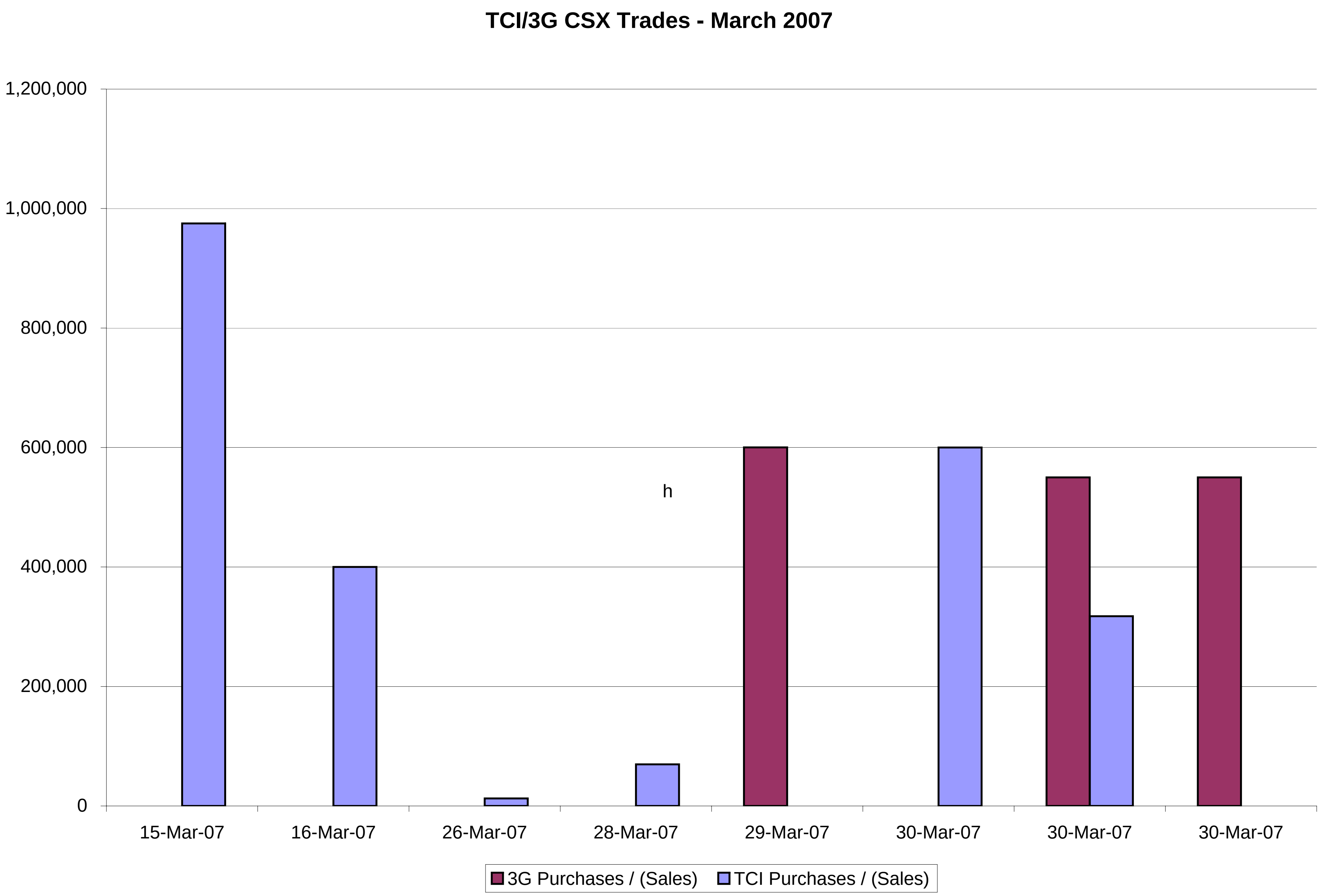
TCI Purchases / (Sales)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TCI Purchases / (Sales)

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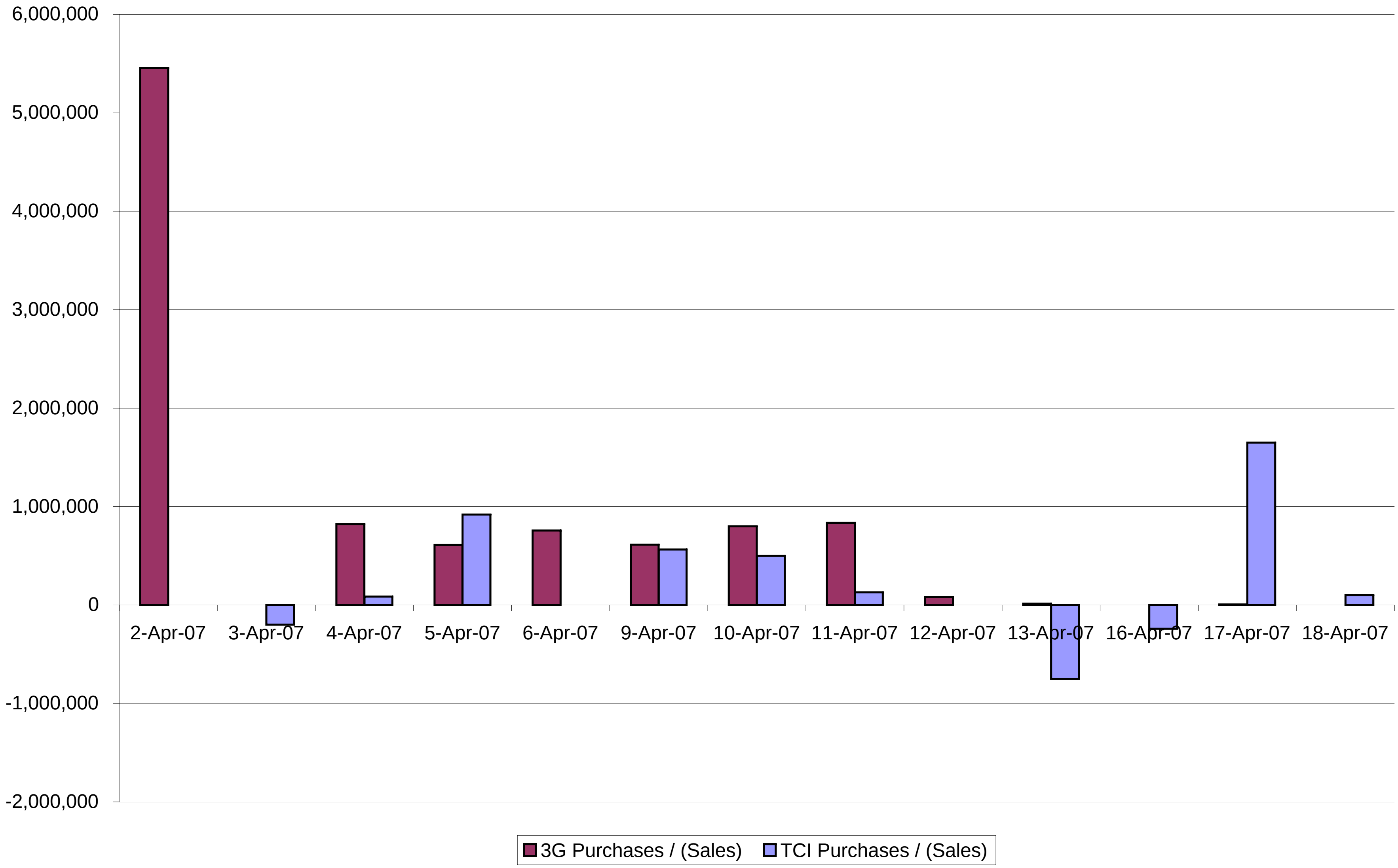

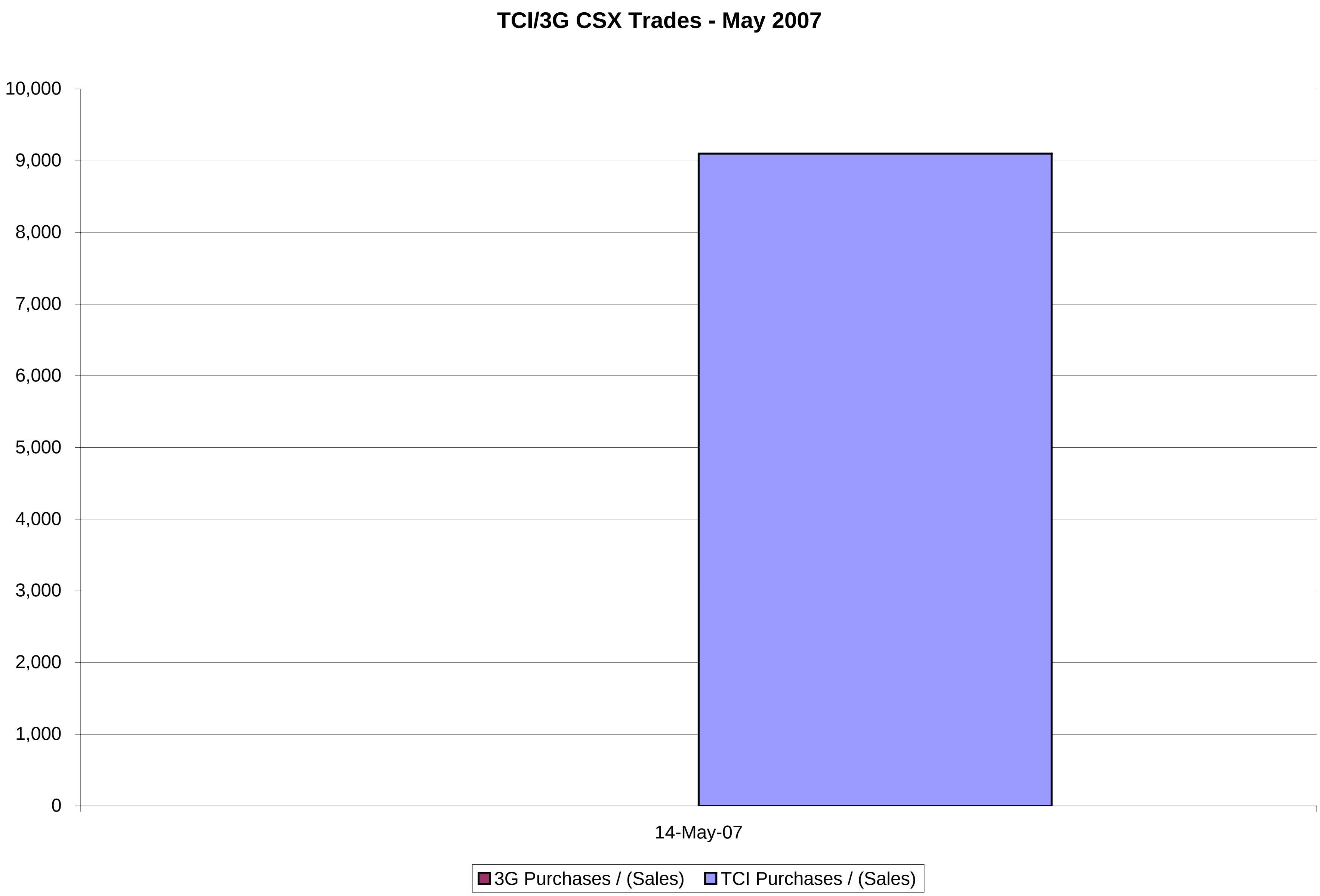
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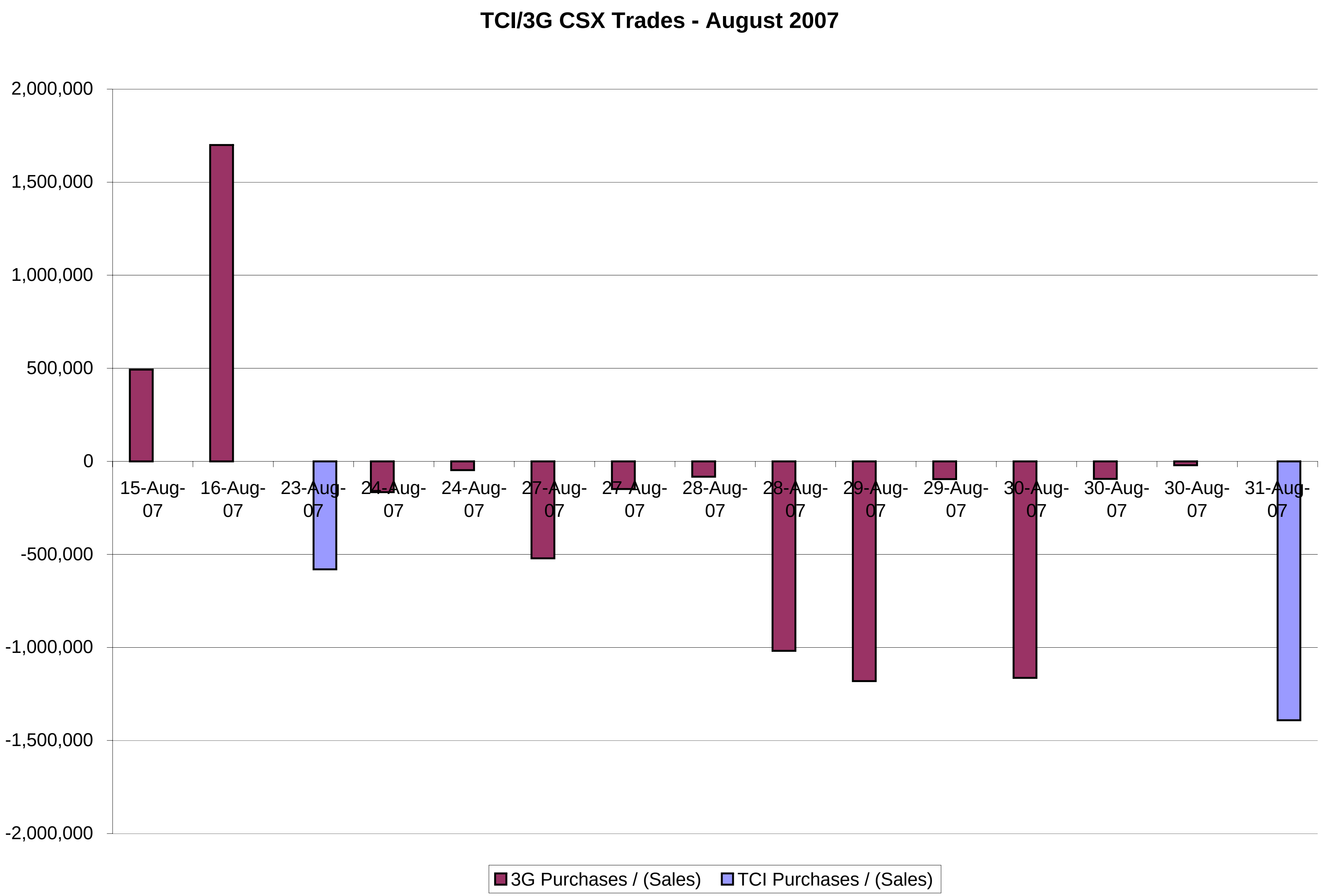
TCI Purchases / (Sales)



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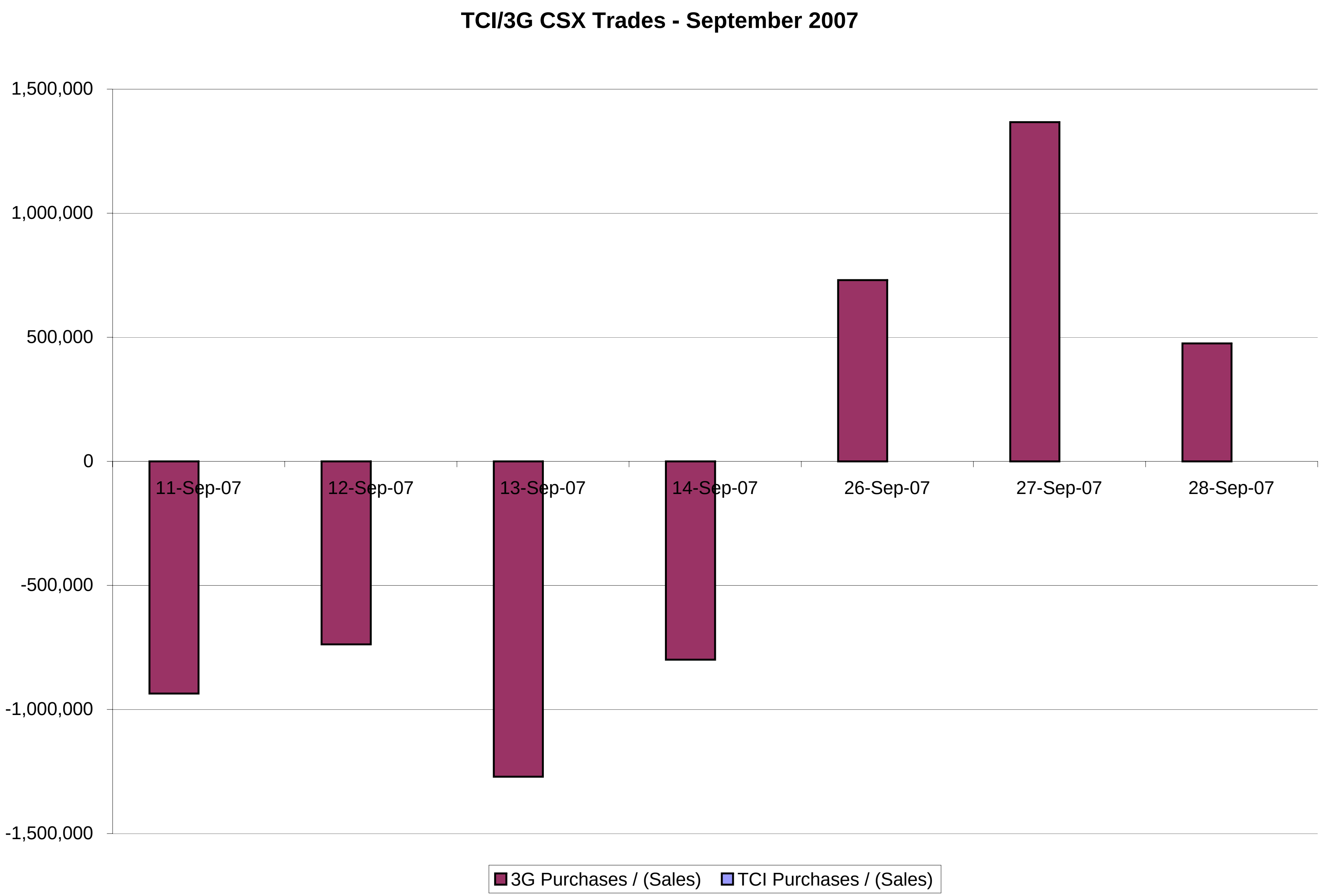
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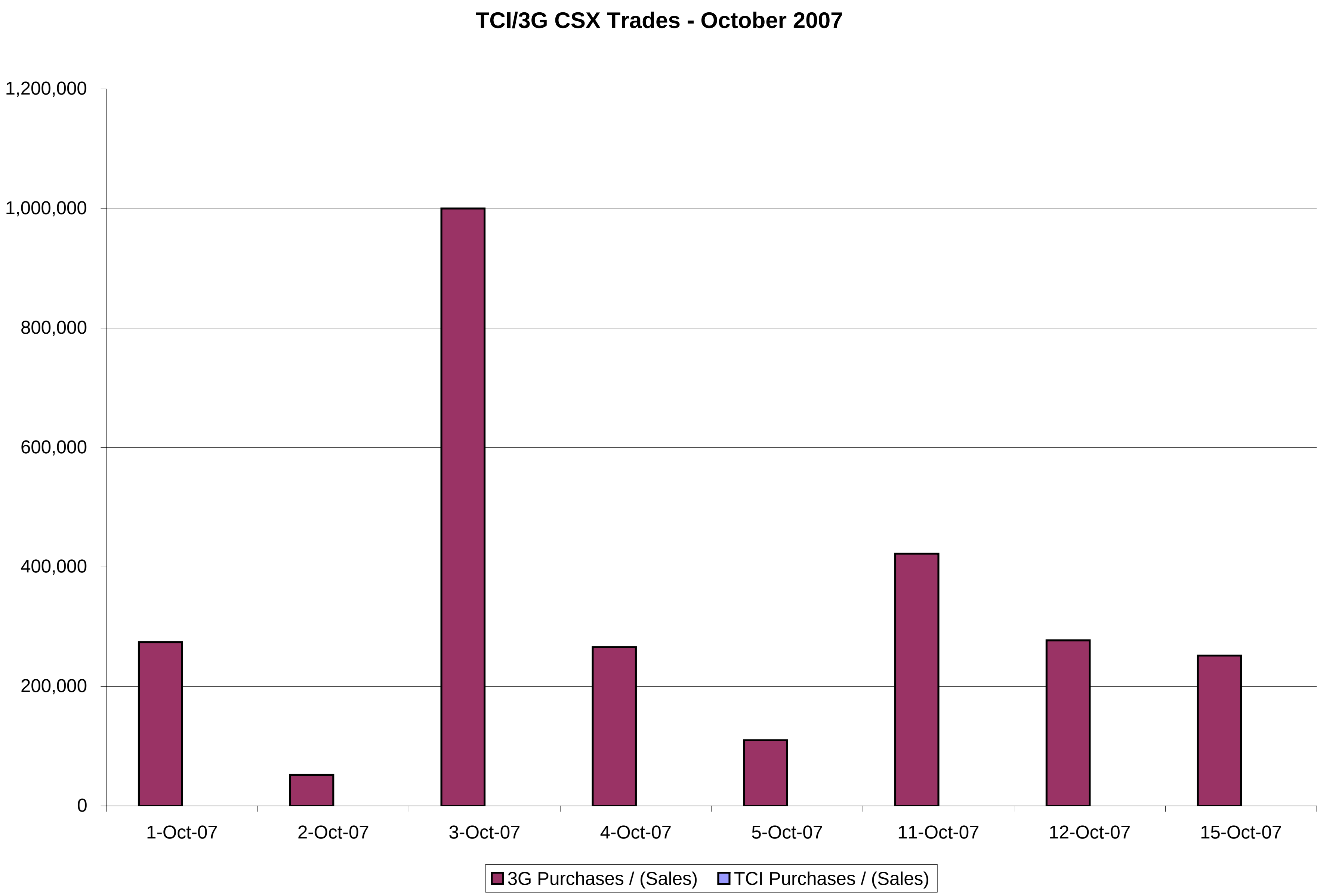
TCI Purchases / (Sales)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3G Purchases / (Sales)
TCI Purchases / (Sales)

TCI/3G CSX Trades - November 2007